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THE FISCAL RELATIONS OF GREAT BRITAIN & IRELAND

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THE FISCAL RELATIONS OF GREAT BRITAIN AND IRELAND

THE PUBLIC FINANCES OF IRELAND

BY PROFESSOR C. H. OLDHAM, B.A., B.L.

THE consideration of Irish Public Finance is certainly rendered opportune at the present moment by the proximity of a Home Rule measure. But Home Rule is a large human problem, essential by a question of nationality, sustained by a sense of injustice and injury to be righted, inspired by a historical claim to be re-asserted. Where human sentiment looks for appeasement and human feeling awaits reconciliation, it is obvious that there finance enters only as a subordinate consideration. You may, for instance, set up a Congested Districts Board to do a specified bit of work : and you then finance that body with funds considered sufficient for its purpose. But the financial provisions of a Home Rule measure must involve considerations of quite another order and must intend a much larger policy. Now, the present paper necessarily excludes all these larger issues of Home Rule that go beyond finance and belong to the sphere of statesmanship. Nevertheless, the present position of Irish Public Finance is so remarkable that whether with or without Home Rule the subject equally claims consideration.

Admittedly the subject is highly controversial. But this arises solely from the different standpoints from which the same facts are viewed. The facts of Irish Public Finance are common ground and are beyond controversy. These facts are regarded from three different standpoints :—(1) by the Irish people ; (2) by the British administrators, here called the Treasury ; (3) by the British people. Hence interpretations will be divergent. In any difference between (1) and (2), it may be taken that (3) must act as umpire or Court of Appeal. The present paper is an attempt to define the actual facts, apart from any controversies as to their interpretation.

Shortly, the present position in Irish Finance is that the expenditure in Ireland considerably exceeds the whole revenue "contributed" by Ireland. To reduce this statement to figures, I look to the Treasury Returns (Nos. 233, 234 of 1910; Nos. 220, 221 of 1911) known as the White Papers, which have been the target of so much damaging criticism during the inquiries of the Financial Relations Commission, 1894-96, and subsequently.

ESTIMATED "CONTRIBUTED" REVENUE OF IRELAND.

Year.	From Taxes.	Non-Tax.	Total.
	£	£	£
1909-10	7,103,000	1,252,000	8,355,000
1910-11	10,212,000	1,294,500	11,506,500

As arrears of tax-revenue for 1909-10 were included in 1910-11, the present revenue from taxes will best be measured by taking the mean ¹ of both years. Add the non-tax revenue as in 1910-11. We would thus find the figure £9,952,000 for the present "contributed" revenue of Ireland. Now in 1910-11 the expenditure in Ireland was £11,344,500. It therefore appears that Ireland is being run at a loss, which for the moment amounts to £1,392,500 (if the Treasury's estimated adjustments were correct); but which will increase, because expenditure in Ireland is steadily increasing.

That there is a present loss is certain: but it is not quite so great as the figure just stated. The revenue "contributed" by Ireland is not really known. It is estimated by a process of guess-work annually conducted in the Treasury, with results which (where they can be tested) we in Ireland find to be inaccurate. It is at least unfortunate that every detected inaccuracy in the Treasury adjustments has detected the subtraction from Ireland of a portion of revenue with which that country should have been credited.² The "contributed" revenue is accordingly larger than the Treasury adjustments show it to be, but its true amount is not known. Of course, the revenue "collected" in Ireland can be accurately known.

$$\begin{array}{r}
 {}^1 \text{ 8,657,500 = tax R.} \\
 \text{1,294,500 = non-tax R.} \\
 \hline
 \text{9,952,000 = entire R.}
 \end{array}$$

² For a detailed exposure of the misleading nature of the adjustments by which the Treasury Returns profess to estimate the "contributed" revenue from the "collected" revenue, see a useful pamphlet, *The Financial Relations of Ireland with the Imperial Exchequer* (By "An Irishman"), published by M. H. Gill and Son, Ltd., Dublin, 1911 Price 6d.

ACTUAL REVENUE "COLLECTED" IN IRELAND.

Year.	From Taxes.	Non-Tax.	Total.
	£	£	£
1909-10	8,594,000	1,252,000	9,846,000
1910-11	12,225,000	1,294,500	13,519,500

Taking, as before, for the taxes "collected" the mean of the figures for 1909-10 and 1910-11 and for the non-tax revenue the amount for 1910-11, we find £11,704,500 represents the revenue "collected" in Ireland. This exceeds the expenditure at present by £360,000; but this small margin must soon be obliterated by the insurgent growth of expenditure in Ireland.

Seventeen years ago (1893-94), by the Financial Relations Commission, Ireland was found to be paying one-eleventh of the tax-revenue of the United Kingdom. Her "taxable capacity" was then estimated at below one-twentieth: so her then taxation (£6,643,719 "contributed"; £8,725,719 "collected"—see No. 314 of 1894) was thought to be unfairly excessive by about 2½ millions sterling. To-day Ireland pays one-sixteenth of the tax-revenue of the United Kingdom. But if her relative "taxable capacity" be now estimated by an application of the same standards of comparison, it will be found to-day to be below one-twenty-fifth part of the United Kingdom's. Now, on an average of the two years 1909-11, according to the Treasury Returns, the United Kingdom "contributed" by taxes £140,680,000; the one-twenty-fifth part of this would be £5,627,200; and Ireland "contributed" £8,657,500 (say, one-sixteenth). Therefore her present taxation is excessive, i.e., unfair in proportion to her "taxable capacity" by some £3,030,300. It sounds paradoxical, but the conclusion only illustrates how ill-assorted is the present fiscal union between Ireland and Great Britain. Although now paying a taxation that is relatively even more unjust than seventeen years ago, yet Ireland is to-day showing a deficit on expenditure of about 1¼ millions sterling: whereas eighteen years ago she was contributing a surplus of about 2 millions available for what is termed Imperial Expenditure.

The explanation of the paradox is not far to seek: in the public finance of Ireland under the Union there is nothing to correlate revenue with expenditure. The Chancellor of the Exchequer plans a system of taxation scientifically adapted to the needs of Great Britain, the predominant partner. Fiscal uniformity imposes this taxation on Ireland, where the economic circumstances are wholly different. The enormity of the results and the adequacy of the

revenues thereby produced in Ireland are both by-products, obtained without intentional regard to either the economic or the financial requirements of that country. The quantum of these by-products will be the same whatever be the requirements of government in Ireland as regards expenditure. Therefore, the whole basis of sound finance and economical government is absent, and paradox is the natural consequence.

The Lloyd George Budgets of 1909–11 are a good instance. As their effect on Ireland has been much disputed, the actual results are worth noticing: they may be stated (1) in comparison with the single year, 1908–09; (2) in comparison with the average of five years, 1904–09, viz.:—

Revenue.			“Collected.”	“Contributed.”
			£	£
At present	...	...	11,704,500	9,952,000
One Year, 1908–09	...	...	11,285,500	9,250,500
Five Years, 1904–09	...	...	11,320,000	9,512,400

The increase in “contributed” revenue is shown to be greater than in “collected” revenue. Compared with the five years’ average, the former has increased by £439,600, the latter by £384,500. Surely, a tax of 1s. an acre on the grass lands of Ireland (10½ million acres) would bring in a bigger revenue, and would be much more suitable to the economic conditions of the country. [N.B.—In new expenditure to be met, Old Age Pensions alone was £2,408,000 in 1910–11.]

The continual drift upwards in public expenditure is much the most important feature in the finances of Ireland. In 1891–92 State Expenditure was £5,985,999 (See No. 305 of 1893), and the sum raised by Local Taxation (excluding Grants-in-Aid) was £3,503,519 (Local Taxation, Ireland, Returns, 1893): the total expenditure for both State and Local Government (£9,489,518, excluding loans), on the then population (4,704,750), amounted to £2 0s. 4d. per head. In 1910–11, State Expenditure was £11,344,500; Local Taxation may be taken as £4,800,000: giving a total government expenditure of £16,144,500, equal to £3 13s. 5½d. per head of the present population (4,381,951). [N.B.—Compare the Gross Income in Ireland assessed by the Income Tax Commissioners, which in 1908–09 was only £39,737,022. The expense of government is equal to 40 per cent. of the assessed income.]

Confining analysis to State Expenditure, it is desirable to understand how an expenditure of £5,985,999 in 1891–2 (equal to £1 5s. 0½d. per head) has become an expenditure of £11,344,500 in 1910–11 (equal to £2 11s. 9¼d. per head). There is a net increase of £5,358,500 to be explained.

(A).—ITEMS SHOWING INCREASED EXPENDITURE.

	1910-11.	1891-92.
	£	£
1. Old Age Pensions	2,408,000	—
2. Ireland Development Grant ...	191,500	—
3. Post Office	1,404,500	749,046
4. Revenue Collection	298,000	223,362
5. Local Government Grants ...	1,477,500	399,260
6. Land Commission	414,500	91,826
7. Department of Agriculture ...	415,000	44,630
8. Primary Education	1,632,000	843,755
9. University Colleges	166,000	26,000
10. Surveys of United Kingdom ...	81,000	47,603
11. Other Items (five ¹)	240,500	172,918
	<hr/> 8,728,500	<hr/> 2,598,400

(B).—ITEMS SHOWING REDUCED EXPENDITURE.

	1910-11.	1891-92.
	£	£
1. Relief of Distress	5,000	183,675
2. Pauper Lunatics Grant	—	111,655
3. Teachers' Pensions Grant ...	—	90,000
4. Railways (Ireland) Grant ...	61,000	341,934
5. Local Government Board ...	92,500	132,748
6. Chief Secretary's Offices ...	27,500	39,681
7. Registrar-General's Office ...	13,000	29,926
8. Justice and Police	2,090,500	2,129,849
	<hr/> 2,289,500	<hr/> 3,059,468

Neither table is exhaustive. Table A explains a net increased expenditure of £6,130,100; and Table B a net reduced expenditure of £769,968. Together they account for an increase equal to £5,360,132. The difference unaccounted for (only £1,631) is the net total reduction on numerous items of expenditure here omitted for simplification. The large items described as Justice and Police are set out in the next table.

(C).—EXPENDITURE ON JUSTICE AND POLICE.

	1910-11.	1891-92.
	£	£
1. Judicial Salaries	102,000	110,244
2. Judicial Pensions, &c.	15,000	18,656
3. Law Charges	65,500	71,977
4. Superior Courts Offices	110,500	116,851
5. County Courts Offices	109,000	112,895
6. Dublin M. Police	93,500	91,998
7. R. I. Constabulary	1,371,000	1,362,348
8. Prisons, &c.	112,000	134,429
9. Reformatories, &c.	112,000	110,451
	<hr/> 2,090,500	<hr/> 2,129,849

¹ 1. Rates on Gov. Bldgs. 2. Superannuation. 3. Gov. Printing.
4. B. of Works. 5. Home Office.

The tables show that the growth of expenditure in Ireland has been caused by new developments of policy : an administration long habituated to extravagance has now assumed extended functions. But the new policy has not been accompanied by retrenchment of expenditure attributable to old forsaken policy.

The position reached at the present time is characterised by three inequitable features, viz. :—

1. Great Britain is now tributary to Ireland by about 1½ millions—a figure that is increasing.

2. Great Britain is also paying Ireland's proportion of Imperial burdens (Army, Navy, and National Debt) : a figure which may be put at about 2 millions (say, 20 per cent. of Irish revenue).

3. Ireland is paying into the common purse, beyond her fair proportion measured by "taxable capacity," an excess payment of above 3 millions per annum.

These evils are being endured by both countries in order to maintain government expenditure in Ireland at a figure (£11,344,500) which is quite double what it ought to be.

Of course, opinions will differ as to what a normal expenditure for Ireland ought to be : it depends upon the extension that ought to be given to governmental functions, a point on which no two people will agree. But, for purely dialectic purposes, a measure of normal expenditure may be reached synthetically in the following manner. In the two years, 1909–11, the United Kingdom raised from taxes a revenue of £281,360,000, or £140,680,000 per annum. If Ireland's "taxable capacity" be below the one-twenty-fifth part, her fair proportion of this tax-revenue would not exceed £5,627,200. Add to this sum her present non-tax revenue, equal to £1,294,500 in 1910–11, we get Ireland's whole revenue then figuring out at £6,921,700. Deduct something—say, 25 per cent.—as her contribution towards Imperial burdens, viz., £1,730,500, there would remain £5,191,200 to cover the normal domestic expenditure of Ireland. Now admittedly the £11,344,500 actually being spent in Ireland to-day cannot all be considered domestic expenditure : in other words, expenditure in Ireland is not the same thing as Irish expenditure. However, doubling the figure £5,191,200 already stated will give us the figure £10,382,400 ; and the further margin of expenditure that remains (viz., £962,100), would fully cover any present expenditure in Ireland that may be thought to be Imperial, rather than Irish, in character. In fine, the conclusion submitted is that the purely domestic expenditure—for Civil Government purposes only—is at the present moment just about double what a normal expendi-

ture in Ireland ought to be. The government of Ireland is extravagant, as compared with its fiscal resources, to a degree exceeding five millions per annum.

Such being the position of the public finance of Ireland at the

NET BALANCES PAID BY IRELAND TO GREAT BRITAIN.

Single Year.	Irish "True" Revenue.	Expenditure in Ireland.	Balance One Year.	Decadal Balance.
	£	£	£	£
1819-20	5,256,564	1,564,880	3,691,684	36,916,840
1829-30	5,502,125	1,345,549	4,156,576	41,565,760
1839-40	5,415,889	1,789,567	3,626,322	36,263,220
1849-50	4,861,465	2,247,687	2,613,778	26,137,780
1859-60	7,700,334	2,304,334	5,396,000	53,960,000
1869-70	7,426,332	2,938,122	4,488,210	44,882,100
1879-80	7,280,856	4,054,549	3,226,307	32,263,070
1889-90	7,734,678	5,057,708	2,676,970	26,769,700
1899-1900	8,664,500	6,980,000	1,684,500	16,845,000
		Averaged Balances for 90 years ...	...	315,603,470
		Add, Actual Balances, 1900-1909	...	16,214,000
		Net Payments, in 99 years ...	...	331,817,470
		Deduct Drawings, deficit of 1909-10	...	2,357,500
		Net Payments, in 100 years	...	329,459,970
		Add, Actual Balance, 1910-11 ...	...	162,000
		Net Balances paid 1809-1911	...	329,621,970

present moment, it is necessary to keep in view also what it has been in the past. In the course of one hundred years Ireland, besides paying for the government expenditure in Ireland, has sent across the Channel as her contribution to the British Exchequer a clear net payment of about 330 millions sterling. This fact (the British profit out of the Union) is a simple deduction from the calculation made by the Treasury of the "contributed" revenue and expenditure for every tenth year (See No. 313 of 1894).

There is a tragic significance in this remarkable table of figures which every student of the economic state of Ireland for the fifty years next following the Union will be able to understand, but which I do not intend to dwell upon now. An examination of the fourth column of the table shows how the Irish net payment for the single year, 1859-60, was lifted up by reason of the new taxation laid on Ireland by the Gladstone Budgets. But otherwise the table shows a steady dwindling down of the net balances. Consequently, the assumption here made that the balance for each tenth year may be taken as an average for the whole decade ending that year is an assumption that underrates the net payments made by Ireland to the common purse of the United Kingdom. Nevertheless, the result shows that Ireland, besides paying for the government expenditure in Ireland, has sent across the Channel during the last hundred years a clear net payment of 330 millions sterling.

Some degree of retrospect such as that here given is necessary in order to place the present position of Irish Finance in a true perspective. Speaking broadly, I think it is true to say that it is impossible to justify the present facts without making reference to past history; and it is impossible to refer to past history without finding justification for the present position. But to attempt the interpretation of the facts by any reference to the past history of Ireland would be to open the floodgates of controversy. This is emphatically one of those cases where the half is greater than the whole: my purpose in this paper is to give definition to the actual facts as they confront us in Ireland at the present moment.

If it were possible to arrive at an incontrovertible conclusion upon any Irish matter whatever—I would submit the proposition that the present position of the public finances of Ireland is an insufferable injury and a grievance to both countries. Fifteen years ago, Lord Farrer, Lord Welby, and Mr. Bertram Currie (Financial Relations Commission, Final Report, 1896) had

reached the conclusion that the "one sure method of redressing the inequality which has been shown to exist between Great Britain and Ireland would be to put upon the Irish people the duty of levying their own taxes and of providing for their own expenditure." This "financial argument" for Home Rule was then urgent, and was urged, in the interests of Ireland. But the developments of the last fifteen years have now made this "financial argument" equally urgent in the interests of Great Britain.

The present position is indefensible as it stands; and it is becoming worse. But it is a logical and an absolutely legal consequence of the financial arrangements of the Act of Union, 1800, which made the United Parliament responsible for expenditure in Ireland, and of the Act of 1816 which consolidated the revenues of the two countries. In the public finance of Ireland under the Union there is nothing to correlate revenue with expenditure: for—to quote the words of Mr. Childers, adopted by the Financial Relations Commission—"Under the terms of the Act of Union Ireland has a claim to distinct consideration as to taxation, but, while the Union lasts, Imperial expenditure must be taken in common to all parts of the United Kingdom." (Draft Report, 1896, par. 272.) This is equally so under the terms of the Act of 1816 (which is even more explicit in its references to expenditure): for—to quote the words of Sir Edward W. Hamilton—"The practical and principal consideration to be borne in mind in connection with the consolidation of the British and Irish Exchequers in 1817 is that from that time Great Britain has been content to take whatever revenue Ireland has yielded, and in return to become responsible for the capital liabilities as well as for the administrative expenses of her poorer partner; while Ireland's contribution to Imperial expenditure has never since been a fixed quantity, but has been represented by the amount by which her true revenue has exceeded her own local expenditure." (Memorandum C. 7720 of 1895, Appendix I, p. 341.) Therefore, sound finance and economical government are not to be found in the public finance of Ireland because it simply does not matter (according to the Union constitution) on which side of the Irish ledger the balance may happen to fall.

APPENDIX.

THE PRESENT "TAXABLE CAPACITY" OF IRELAND.

The Financial Relations Commission (Cd. 8262 of 1896) proved that the relative *annual wealth* could be best measured by two standards: (a) Gross Assessment of Property for the Death Duties; (b) Gross Assessment of Income for Income Tax. For the year 1893-94, these gave for Ireland the proportion of "1 to 17, or as one-eighteenth of that of the United Kingdom."

Apply the same two standards to the present-day figures (Inland Revenue Reports, for 1910-11, Cd. 5833; for 1909-10, Cd. 5308).

(1) Capital Values of Properties Assessed for Death Duties.¹

			Report 1901-11. Millions sterling.	Report 1909-10. Millions sterling.
United Kingdom	...	...	393.88	371.81
Ireland	...	...	20.29	15.87
Ireland's part	...	...	1 in 19.4	1 in 23.4

(2) Gross Income Reviewed by Income Tax Commission.

			Report 1910-11. Millions sterling.	Report 1909-10. Millions sterling.
United Kingdom	...	...	1011.10	1009.93
Ireland	...	...	40.19	39.73
Ireland's part	...	...	1 in 25.1	1 in 25.4

The mean of both years gives, as Ireland's part, 1 in 21.2 by the first standard; 1 in 25.2 by the second standard. The relative *annual wealth* is, therefore, at present about 1 to 23 (instead of 1 to 18 as in 1893-94).

The Financial Relations Commission were also agreed that the relative *taxable capacity* must be less than the relative *annual wealth*; because some deduction must be made from income for mere subsistence. They did not agree upon what this deduction should be. But finding (in 1893-94) that Ireland's *annual wealth* was to Great Britain's as 1 to 17, their historic answer as to Ireland's *taxable capacity* was: "*It is not estimated by any of us as exceeding one-twentieth*" (that of Great Britain).

To-day, comparing Ireland with the United Kingdom, her *annual wealth* is shown to be about 1 to 23. How much then is her *taxable capacity*? Shall we say 1 in 25, or 1 in 28? On p. 6 I have said that it must be considered "to be below the one-twenty-fifth part of the United Kingdom's."

¹ Estate (Table 17), Legacy (Table 38), and Succession Duties (Table 42).

THE KEYSTONE OF IRISH FINANCE

BY PROFESSOR C. H. OLDHAM, B.A., B.L., UNIVERSITY COLLEGE,
DUBLIN.

THE history of Irish Public Finance is full of instruction and of quite enthralling interest for the people of Ireland. But it is altogether omitted from many of the text-books, and is inadequately dealt with even by Mr. Liecky. The one indispensable authority on the subject is Mr. H. W. Chisholm,¹ whose magnificent research work has never received proper recognition either in Great Britain or Ireland. It is impossible to realise the injury inflicted on Ireland by the financial system set up under the Union without some conception of the earlier period of Irish Finance. Therefore, in this paper I will ask the Members of the Congress to begin the consideration of this great subject of the Financial Relations between Great Britain and Ireland by a historical retrospect.

The Hereditary Revenues of the Crown in Ireland originated at the time of the "Settlement of the Country," following the Restoration of 1660. One part, called "ancient," was due to the Crown under common law, viz., Crown Rents, Composition Rents, Lighthouse Dues, and Casual Receipts (e.g., fines). The other part, called "modern," was granted to Charles II. by two Acts (14 and 15 Car. II., and 17 and 18 Car. II.) as a not very creditable bargain made by the Restoration Parliament which was dissolved in 1666; it included the Hearth Money Tax, Quit Rents, and certain Customs and Excise Revenues. Now this Hereditary Revenue was more than sufficient for the entire expenses of Irish Government for the next 26 years; hence no regular Parliament was summoned from 1666 to 1692.² The

¹ See his great *Return on Public Income and Expenditure* from 1688 to 1869 (No. 366 of 1869, Parts I. and II.); also the Appendices to the Reports on the Taxation of Ireland in 1864 (No. 513) and 1865 (No. 330).

² The Jacobite Revolution Parliament of 1689 is ignored, as being irrelevant here.

public expenditure of Ireland was then divided into but two classes, a Civil List (including Pensions), and a Military List. The sole authority which then entitled Treasury officials to spend public money were a Royal Sign Manual Warrant issued at the beginning of each reign for the regular, or "establishment," payments; and a King's Letter, issued from time to time when other isolated, or "extraordinary," payments had to be made.

The history of Irish Public Finances really begins from the Parliament of 1692. The gradual emancipation of the Irish Parliament from its position of impotency until it had obtained full control over the finances of Ireland offers the most inspiring lesson to be learned by Irishmen from their past history; it covers barely one hundred years, viz., from 1695 to 1793. We recollect that from 1692 to 1768, the tenure of Parliament, once elected, was during the King's life—for example, George II.'s Parliament lasted from 1727 to 1760, or 33 years; and that the Octennial Act of 1768 was itself a concession granted during a struggle over the Irish finances.

This financial emancipation of the Irish Parliament came about by four stages: of which the dates are 1695, 1751-53, 1769 and 1793. (1) In 1692-95, the growing expense of a standing army made the Hereditary Revenues insufficient and Parliament had to be summoned to vote "Additional Duties," not at first specially appropriated. Two consequences ensued: (a) For the first time Public Accounts of Receipts and Expenditure were made known to Parliament, and are found, henceforward, entered on the Journals of the House of Commons; (b) Parliament had now to be regularly summoned,—it met every second year until 1783, after which annual sessions were held. (2) In 1751-53, surpluses had accumulated in the Irish Treasury, and Parliament claimed the power to dispose of surplus, viz., by devoting it to paying off debt. The Court, on the other hand, claimed that the "prior consent" of the King was necessary. Finally, by the mere issue of a King's Letter, the surplus was lifted out of the Treasury, and devoted to paying off public debt. Defeated in its claim to control surplus, Parliament now took steps to secure that no surplus should ever arise, viz., they began the more detailed appropriation of the "additional" supplies. This marks an important turning-point in the Constitutional History of Ireland. One result was that (3) in 1769, the Crown, by a Royal Message, resigned to the Parliament the control of the Military List,—because the unappropriated revenues were found insufficient (seeing that the growing Pensions were now demanding so much money for the Civil List alone). The control of the Civil List still remained

a prerogative of the Crown, and this included the disposal of the Hereditary Revenues. It remained so for 24 years longer. Finally (4) in 1793, a Royal Message conceded to Grattan's Parliament the whole of the Hereditary Revenues of Ireland, the Crown receiving instead the very liberal provision made by the Irish Civil List Act, 1793. This event marks the culmination of a century of progress, because the Irish Parliament had then obtained full control over every branch of the finances of the country. The change is shown by the altered form of the Public Accounts, issues out of the Irish Consolidated Fund being entered thereafter under seven heads or classes, in place of two.

From this account it is manifest, I think, that the fiscal autonomy of the Irish Parliament came into existence by an organic constitutional growth. It is unlike the political autonomy : for it is not a case of "Great Britain yielding to Ireland in a moment of weakness an independence which she took back when she felt herself strong." For three centuries, under Poyning's Law (passed at Drogheda, 1495), the English Privy Council had controlled legislation in Ireland. In all that time the English Parliament, with no Irish representation, had passed many laws binding on Ireland : often in regard to trade matters (after the Restoration), or excluding Roman Catholics from the Irish Legislature (1692), or abolishing the appellate functions of the Irish House of Lords (1719). But it is remarkable that before the Union of 1800, no English Act of Parliament had ever compelled the Irish people to pay a tax, and England had never used its legislating power to compel Ireland to provide any contribution to Imperial expenditure.

It has often been suggested that the authors of the Union had as their main object to obtain the power, through a British Parliament in which Ireland would be represented, of taxing Ireland for Imperial purposes. But can anybody point to any conduct of the free Parliament of Ireland which justifies the plea that a Union became necessary because that Parliament had shown itself reluctant to contribute to the maintenance of the Imperial burdens? Grattan's Parliament had many shortcomings : but in the handling of matters of finance its reputation is admirable in the highest degree, and in the contributions it made voluntarily for the support of Imperial policy (over which it had no control) its record is romantic in its generosity,—surpassing anything that the British people have ever received from any of the self-governing Dominions of the Empire. In 1769, when the Irish Parliament first obtained control over the

Military List, the permanent Army establishment was at once raised to 15,235 men (the British establishment then was 17,000 men) in order to maintain, at Irish expense, 3,235 troops for service abroad in the Plantations. Besides her troops, it must be remembered that Ireland "had contributed largely to the armies in the field" by her recruits. Mr. Lecky quotes (Vol. II., Chap. V., p. 343) a remarkable speech by Edmund Burke in 1785, who, referring to events of 1761, stated—"he had been a witness of it himself"—that Ireland then "kept an army of 24,000 in pay, of which 8,000 were sent by her to fight the battles of Great Britain abroad, while 16,000 remained in the Kingdom for home defence. She also sent 33,000 recruits, her own natives, at her own expense, to fill up the regiments in the British service, and spent above £600,000 in Germany for the support of the War." (*Parl. Hist.* XXV., 651.) On May 27th, 1782, when England was at war with France and Spain, Grattan's Parliament (1) voted a loan of £100,000 in order to raise 20,000 additional sailors for the Navy; (2) offered that 5,000 troops (out of the 12,000 in Ireland) might be withdrawn to defend England. Peace followed on January 20th, 1783, and lasted until the outbreak of the French Revolution war in 1793. At that date Grattan's Parliament had acquired control over the whole of the Irish Revenues. Ireland was under no legal obligation whatever to contribute to the expenses of this French War. (See Chisholm's great Return, No. 366 of 1869, Part I., Appendix 5, p. 459.) The prodigious efforts made by the Irish Parliament from 1793 to 1801 are told in Plowden's *History of Ireland*, and the financial sacrifices made during that French War (when Ireland itself was the most vulnerable part of the British Empire) were willingly undertaken before ever a Union was threatened or even considered. When the War began, in 1793, Grattan's Parliament at once raised their military establishment to 20,000 men; and enrolled an Irish militia force for four years of 16,000 men. Again in 1795 further great sums were voted, and large numbers of men were provided for the manning of the British Navy. Mr. Secretary Pelham stated in 1797 that Ireland had furnished not less than 38,600 men for the Navy, in addition to 30,000 men for the defence of Ireland itself. In 1797-8 the Irish Rebellion threw additional burdens on Parliament, which then enrolled the Yeomanry Corps, and brought over large numbers of English troops to Ireland, which were maintained here at the sole expense of the Irish Treasury. In 7½ years the naval and military expenditure of Ireland amounted to £20,809,000 (apart from the

civil expenditure of the country); of which 16½ millions sterling was the cost of the warfare. (Sir E. W. Hamilton's Memorandum, Cd. 7720 of 1895, p. 323.)

The first episode in the Financial Relations between Great Britain and Ireland was the Commercial Propositions of 1785. It is a common distortion of the history of this unfortunate episode to say that Pitt sought to secure from Ireland a contribution regulated by fixed principles to the general expenses of the Empire, that the negotiations failed, and that "the failure confirmed in the minds of English statesmen the idea of a legislative Union, as the only way of assuring, beyond reach of doubt, that help from Ireland in the hour of England's need." (Lord MacDonnell, *Nineteenth Century*, January, 1912.) Now anybody can find the truth of this matter for himself, if the truth be what is wanted. (See Chapter XI. in Dr. Holland Rose's *William Pitt and National Revival*, 1911; or Lecky II., Chapter V.) The matter was not first started by Pitt, but by Ireland. The Irish House of Commons had debated with great ability, and rejected with decisive majorities, proposals for protective duties against England; and then, on May 13th, 1784, an address to the King was unanimously voted asking for "a wise and well-digested plan for a liberal arrangement of commercial intercourse between Great Britain and Ireland." Pitt then offered "to give Ireland an almost unlimited communication of commercial advantage," on condition that, as her trade and revenue benefited, "she will contribute from time to time in their increasing proportions to the common exigencies of the Empire." It was a perfectly just bargain. But the negotiations failed because of the mean fears of the British trading interests who energetically protested against conceding commercial equality to Ireland; they failed because the English refused to give what Pitt had offered,—they declined to think Imperially. I may refer to Mr. Lecky's reasons for holding "that economical opinion at this time was more enlightened in Ireland than in England." (Vol. II., Chap. V., pp. 443-4.) The Irish Parliament followed its adoption of the Commercial Resolution by putting restrictions on its internal expenditure, and "then imposed additional taxes estimated to produce £140,000 a year for the purpose of enabling Ireland to fulfil her part in the transaction, and showing that she had no desire to evade the obligation of a Contribution." (Lecky, *id.*) I refer also to the resuscitation of the whole question of the commercial relations by Grattan in 1793, and of the opinion expressed by the Irish Government in their "secret correspondence that they

considered it eminently wise, and that they would have no difficulty in carrying it in Ireland." (Lecky, III., Chap. VI., p. 188.) But the English Ministers were powerless and did not then respond.

So long as the Parliament of Ireland existed that country possessed the two essentials which make sound public finance possible: (1) the balance of revenue and expenditure had to be observed, and (2) an authority existed charged with the duty of safeguarding the financial interests of Ireland. The Act of Legislative Union destroyed the Parliament from 1801; and the Act which consolidated the Exchequers of Great Britain and Ireland from 1817 destroyed the balance of revenue and expenditure. Since then the keystone has been removed from the arch, and sound finance has been made impossible in the government of Ireland. This statement gives the interpretation of the last 95 years of Irish Finance. *Without its keystone no arch can stand.*

The object of the Act of Union was to abolish the Irish Parliament. Had that stroke of policy been effected by the consent of both countries, the businesslike course might have been followed of each Parliament appointing Commissioners for the purpose of entering into the Articles of Union. Thus the Union of Scotland with England was agreed to on 22nd July, 1706, by Articles of Union entered into between Commissioners appointed for that purpose.¹ Had the Articles of the Irish Union been constructed in a similar manner, the blunders which ruined the finances of Ireland might have been avoided. Mr. Chisholm has pointed out the chaos of the British public accounts of this period: from the time of Queen Anne down to George IV. there was no systematic presentation of Public Accounts to Parliament,—“no balanced Annual Account of the Public Income and Expenditure of Great Britain was prepared and presented to Parliament prior to 1822.” (See Chisholm’s Return, No. 366 of 1869, Part II., Appendix 13, p. 326; also Sir John Sinclair’s History of the Public Revenue, 3rd Edit. 1804, Vol. 2, p. 58.) The level of economic enlightenment and the grasp of public finance was much higher in Ireland than it was in England at that time.

The financial arrangements contained in the 7th Article of Union were planned out by Pitt on lines eminently just and reasonable. But he had to depend on Castlereagh for the Irish data, and in finance Castlereagh went shockingly wrong. The best

¹ The Commissioners for England were appointed per Act 3 and 4 Anne, c. 7, passed 21 December, 1705: for Scotland by an Act of the Parliament of Scotland, 3 Anne, c. 4, passed 21 September, 1705. The Union was carried into effect from 1 May, 1707, by the Act 5 Anne, c. 8, which was passed 6 March, 1707.

authority on this subject is again Mr. H. W. Chisholm (particularly his Appendix 9 to the Report on Irish Taxation, No. 330 of 1865). But the subject is fully reviewed in the Evidence and Reports of the Financial Relations Commission, 1894-96: particularly in Sir E. W. Hamilton's "Memorandum."

I desire only to make two points in this connection. (I.) Castlereagh arrived at the proportion of 2 to 15 for the relative taxable capacities, by using two tests, viz.—(a) Real value of Imports and Exports. (b) Value of Dutiable Articles Consumed. Now in the first place, when the Commission of 1894-96 were seeking for ways of measuring *taxable capacity*, they rejected both these tests, as being (for reasons stated) of no scientific value whatever for their purpose. And, in the second place, the statistical returns used by Castlereagh in applying these tests were "specially computed for the occasion." Mr. Chisholm states that no documents were laid before Parliament, and he points out that no machinery existed by which anyone could ascertain the real values of Exports until after 1798, nor of Imports until after 1854. Of course, everybody knows now that the proportion of 2 to 15 was a horrible blunder: and "that the Act of Union imposed upon Ireland a burden which, *as the event proved*, she was unable to bear." My first point, then, is this: people attribute it all to the French War, the prolongation of which could not have been foreseen at the date of the Union; but the ratio 2 to 15 was altogether wrong in itself, and Ireland would have been wronged with or without the continuance of the War. That a poor country was to be "bled white," and exhibited as defaulting bankrupt, by a statistical blunder which she had detected and energetically denounced, is one of those shameful transactions that sometimes make history more incredible than fiction.

(II.) My second point is that the Articles of Union were waste paper so far as finance is concerned, once the Irish Parliament disappeared: because the Act contained no provision for a tribunal that would watch over its operation, that would be available to interpret its clauses when they proved to be doubtful (as they did prove to be), and to safeguard the rights of either party when they were infringed (as the rights of Ireland were repeatedly infringed). This point was made in 1799 by Mr. Foster in the first of his great speeches against the Union. (Lecky, Vol. V., Chap. XII., p. 279.) The Irish nation must be incapable of learning any lesson from its past history if it now accepts a settlement of the Home Rule problem which does not contain the provision of a tribunal to interpret and safeguard the interests of either party in the subsequent working of the measure.

It is the usual practice in telling this history to pass at once from the Act of Union to the Act of 1816, which consolidated the Exchequers. We skip the story of ever-increasing deficits, during which the automatic operation of the fixed proportion of 2 to 15 quickly landed Ireland into bankruptcy. But can we absolutely ignore this period of sixteen years? It is the only period in the history of our financial relations when Ireland had a distinct revenue and a distinct budget under an "entanglement" with British finance and a single Parliament at Westminster supposed to safeguard the financial interests of both countries. If, as in some quarters has been suggested, Home Rule were to set up a system of mixed finance in which the Westminster Parliament were to settle by far the greater part of the revenues of Ireland, and the Dublin Parliament were to jealously criticise the way her revenues are being handled for her, and to play the part of Oliver Twist : then this miserable period from 1801 to 1817 would become the most instructive part of our past history. The Chancellors of the Irish Exchequers during those years were—(1) Mr. Isaac Corry, M.P. for Newry, 1801–5; (2) Mr. John Foster, ex-Speaker and M.P. for Co. Louth, 1804–5; (3) Sir John Newport, Bart., M.P. for Co. Waterford, 1806–7; (4) Mr. Foster again, 1807–11; (5) Mr. W. Wellesley Pole, M.P. for Queen's Co., 1812–13; (6) Mr. W. Vesey Fitzgerald, M.P. for Ennis, 1813–17. There was no inquiry into the position of Ireland under the joint expenditure of the Union until 1806, when the Committee merely reported that until the Irish and British Exchequers could prepare accounts on the same lines no investigation could be made. Nothing was done till 1811, when a Committee found that they had to discuss and settle the principles upon which the account of joint expenditures should be regulated, *i.e.*, to decide ambiguities latent in the wording of the Seventh Article. It is evident from their proceedings that the bankruptcy of the Irish Exchequer was already notorious; and the sole object of all parties seems henceforward to have been a consolidation with a view of merging the debt of Ireland with that of Great Britain. Yet it is not until the Committee of 1815 that the facts were settled and reported to provide a basis for the legislation to consolidate the two Exchequers which followed next year. The Statute 56 Geo. III., c. 98, passed in 1816, which consolidated the revenues of Ireland and Great Britain as from 5th January, 1817, has to be taken along with an amending Act, 57 Geo. III., c. 48, which "wiped a sponge across the slate" by cancelling all balances due from either Exchequer to the other.

The Act of 1816 consolidating the Revenues did not cancel the Act of Union : to quote its own terms, it was passed "for further carrying into effect the Acts of Union." The bargain as regards taxation which Ireland made at the Union, and for which she paid the price of abolishing her Parliament, remained undisturbed in law : (1) An Irish tax was never to exceed the corresponding tax in England :—"*in regulating the taxes in each country, no article in Ireland shall be made liable to any new or additional duty, by which the whole amount of duty, payable thereon, would exceed the amount which will be hereafter payable in England on the like article*"; (2) When contribution by fixed proportions was replaced by a system under which "all future expenses" shall be "defrayed indiscriminately by equal taxes imposed on the same articles in each country," then the competence of Parliament was to be "*subject only to such particular exemptions or abatement in Ireland, and in that part of Great Britain called Scotland, as circumstances may appear from time to time to demand.*" That remains the state of the law down to the present moment. People may ignore the law because it has been forgotten, or they may wish the law to be forgotten because they know now that it has been ignored. But the Irish Nation has its back up against a historical bargain for which it has paid a great price, it is fully conscious of the whole history of this international transaction, and it stands upon its legal rights under the Union.

The Financial Relations Commission of 1896 fairly staggered the British people by the mere fact that it plainly told the truth,—a truth which had been forgotten. Let me quote two forms of the same verdict. From the Report of the Chairman and four others :—

Before passing from the historical consideration of this period, and of the 7th Article of the Act of Union, we desire to point out that it is by virtue of it and under it that the present taxation of the United Kingdom exists and that it clearly recognises three important provisions :—

- (1) That Ireland and Great Britain entered into legislative partnership on the clear understanding that they were still, for purposes of taxation, to be regarded as separate and distinct financial units ;
- (2) That Ireland was to contribute to the Imperial expenditure only in proportion to her resources, so far as the same could be ascertained, and that, even after the imposition of indiscriminate taxation, if circumstances permitted its adoption, she might claim special exemptions and abatements ;

- (3) That the Imperial expenditure to which these respective contributions were to be made included not only *the whole civil expenditure of Ireland*, but even special grants for Irish purposes, which were to remain in operation for twenty years. (Cd. 8262 of 1896, p. 5.)

Again, from the Report of Lord Farrer, Lord Welby, and Mr. Bertram Currie :—

The Union between Great Britain and Ireland was in effect a treaty or deed of partnership between two parties which had for fiscal purposes previously been independent. Every line of that instrument bears witness to this fact; and if it is true that it contains evidence that its framers looked forward to a period when the two partners should become one, it is no less true that it contains equally strong evidence that the partners were and must for a very long while, if not for ever, retain their separate individuality. Even in the clause (Art. 7, par. 8) which contemplates indiscriminate expenditure out of equal taxes, a proviso is inserted to the fact (*sic*) that the imposition of such taxes shall be “subject to such particular exemptions or abatements in Ireland and Scotland as circumstances may appear from time to time to demand.”

After discussing and dismissing counter arguments used by Sir Stafford Northcote and Mr. Robert Lowe in 1864 and 1875 (*viz.*, Taxation on persons, not on countries); pointing out that “Irish Members have never ceased to appeal to the fact”; which was “agreed to by English statesmen of all parties” in 1886 (Sir Joseph McKenna’s motion); acted on by Mr. Gladstone (introduction of Home Rule Bill, 1886); and accepted by Mr. Goschen in 1890 (when directing the preparation of the first “financial relations papers”),—the Report proceeds to sum up the verdict as follows :—

“It is, therefore, abundantly clear that of the two conflicting theories—*viz.*, the one which regards Great Britain and Ireland as one country for the purposes of taxation and expenditure, and the other which regards Great Britain and Ireland as separate partners—the second is *the one upon which our instructions are founded, the one which has the greatest support in history, and the one upon which all parties in Parliament have recently acted.*” (*Ibid.*, pp. 38-9.)

Mr. Gladstone, in his Budget of 1853, has given the most notorious instance of the ignoring of Irish Union right in the matter of taxation. They brought to him in his retirement the unanimous verdict of the Commission of 1896 : “That the increase

of taxation laid upon Ireland between 1853 and 1860 was not justified by the then existing circumstances." In an Appendix to Morley's *Life of Gladstone* (Vol. II., p. 804, Edition 1906) we may read the old statesman's words of defence and admission : "It will thus be seen that the finance of 1853 is not responsible either for a permanent peace income-tax upon Ireland, or for the present equalisation of the spirit duties. At the same time, I do not mean to condemn those measures. I condemn utterly the extravagance of the civil expenditure in Ireland, which, if Ireland has been unjustly taxed, cannot for a moment be pleaded as a compensation. I reserve my judgment whether political equality can be made compatible with privileges in point of taxation. *I admit, for my own part, that in 1853 I never went back to the Union whence the difficulty springs, but only to the Union of the Exchequers in or about 1817.* It is impossible to resist the authority which has now affirmed that we owe a pecuniary, as well as a political debt to Ireland." There is a healing efficacy for all Irishmen in the magnanimity that dictated that admission.

I pass now from taxation, in order to point out the principle embodied in the Act of 1816 as regards expenditure. If there are Englishmen to-day who think (as Gladstone did in 1853) that the Act of Union is out of date and that we are now regulated by the Act which consolidated the Exchequers, let them at least understand the extraordinary emphasis with which that Act of 1816 declares that expenditure of the consolidated revenue of the United Kingdom shall be "*indiscriminately applied to the service of the United Kingdom of Great Britain and Ireland or any part thereof as shall be directed by Parliament.*"

These words, which are derived from the Act of Union itself, are repeated again and again in the Act of 1816. Expenditure in Ireland is to be United Kingdom expenditure. Ireland contributes her whole revenue to the Consolidated Fund of the United Kingdom; and it is this Consolidated Fund, not merely the revenue contributed by Ireland, which is to be issued and applied for such expenditure in Ireland "as shall be directed by Parliament." In the words of Sir E. W. Hamilton's "Memorandum on the Financial Relations": "The practical and principal consideration to be borne in mind in connection with the consolidation of the British and Irish Exchequers in 1817, is that from that time Great Britain has been content to take whatever revenue Ireland has yielded, and in return to become responsible for the capital liabilities as well as for the administrative expenses of her poorer

partner ; while Ireland's contribution to Imperial expenditure has never since been a fixed quantity, but has been represented by the amount by which her true revenue has exceeded her own local expenditure." (Cd. 7720 of 1895, Appendix 1, p. 341.) That is an exact statement of the financial relations as they in law exist to-day between Great Britain and Ireland.

We may suppose that "*Great Britain has been content*" with this arrangement for at least as long as Ireland has yielded a net profit. In another Paper¹ (a copy of which is in the hands of the Members of this Congress) I have shown that during 100 years the amount of estimated "true" revenue paid into the common purse by Ireland has exceeded the whole amount expended locally in Ireland by about 330 millions sterling, which I called the British profit out of the Union. In addition to the cash, Great Britain has enjoyed the credit of extricating her poorer partner from bankruptcy. There is the opinion expressed by a sober historian (Walpole's *History of England*, Vol. I., p. 415) that the consolidation of the two Exchequers was "the greatest boon ever conferred on one country by another." I do not dispute the opinion ; there is every evidence that the Parliament of 1816 was aware of the hideous wrong done to Ireland by the fixed proportion of 2 to 15, and was anxious to act generously. Mr. H. W. Chisholm (whose work during 1864-65 in accurately clearing up the details of the transaction of 1816 has removed a cloud of misapprehension in Ireland) has given it as his opinion, formed after a long study of the question, that "the provisions . . . were construed by the several Parliamentary committees, and the actual settlement of the accounts was effected upon principles the most favourable to Ireland." (Return No. 366 of 1869, p. 477.) Yes, I gladly admit that the Parliament of 1816 behaved handsomely. But will Great Britain continue to be content to stand on what was done in 1816?

Two things have happened to make the answer to this question more than doubtful. (1) In 1896 the Financial Relations Commission pointed out that *Ireland was being overtaxed* since 1853 : which meant that the British profit out of the arrangement of 1816 was much larger than that arrangement really sanctioned. (2) Within the last two years, *the said profit, suspect as it was, has absolutely disappeared*,—if the Treasury White Papers be accepted as approximately correct. Will England now be content

¹ *The Public Finances of Ireland*, by Professor C. H. Oldham, B.A., B.L. ; being a Paper read in Section F of British Association at Portsmouth, 4th September, 1911, now reprinted with the figures revised according to the re-issued Treasury Papers, 220 and 221 of 1911.

to go "staggering on" under the deficits flowing from the arrangement of 1816?

—"She,
The weary Titan, with deaf
Ears, and labour-dimm'd eyes,

Bearing on shoulders immense,
Atlantein, the load,
Wellnigh not to be borne,
Of the too vast orb of her fate."

Matthew Arnold (Heine's Grave).

Before entering upon the consideration of the future, there is one matter that requires notice. In Castlereagh's Speech in the Irish House of Commons, on 5th February, 1800, he used the words: "It were to be wished that there was not an insurmountable bar to a common system, and a common treasury, and that we could become, like countries of the same kingdom, subject to the same system of finances. Were our entire expenditure common (which would happen if neither kingdom had any separate debts, or if their debts were in proportion to their ability) *by no system whatever could they be made to contribute so strictly according to their means, as by being subject to the same taxes equally bearing upon the same great objects of taxation in both countries.*" The assumption underlying the words here italicised has appeared again and again in speeches made by British Ministers when denying that Ireland suffered from any over-taxation. Thus, it was fully developed in Sir Stafford Northcote's reply to Sir Joseph McKenna's Motion in the House of Commons on 12th March, 1875: "As to the relative productiveness of taxes in different parts of the United Kingdom that was a matter which they could not regulate because it was, in fact, self-regulating and self-acting . . . the taxes were laid on the whole of the Empire and when they are borne in a different ratio by each part of the country it is not by any arbitrary rule laid down by Parliament or by the Government, but by the self-acting rule of the state of the different parts of the country, and their means of paying them . . . (As for taxes) on articles of consumption,—they would be productive or otherwise according to the means of the consumer to consume those articles." (Hansard, 1875, Vol. 222.) Now this doctrine—complacently assumed as an axiom—is nothing but a mischievous fallacy. It was exposed again and again by Irish Members in debate. But it survived until the Financial Relations Commission of 1896 condemned it by a unanimous verdict. Their Joint

Report embodies the pithy maxim: *That identity of rates of taxation does not necessarily involve equality of burden.*

It is the *pons asinorum* of Irish Finance. One of the best illustrations of its truth was given in that same House of Commons debate of 12th March, 1895, by Mr. Orr Ewing, a Scotch Member. He stated that if the duties payable on intoxicating drinks of various sorts were calculated per gallon of proof-spirit so drunk, the rates of taxation in 1875 were *equivalent to a spirit duty per gallon* of 2s. for ale, porter, beer; 4s. for French wines; 6s. for Spanish and Portuguese wines; 10s. for whiskies. On that basis he showed the amount per head of the population actually paid as duty for the drinks consumed in the three countries (first column below). He then adjusted these amounts from the figures of consumption so that the alcohol consumed in beer or wine would be made to pay equally with the alcohol in whiskey—that is to say, so that the national beverages of England would be taxed at the same rate as those of Scotland and Ireland (second column below). These contrasted amounts per head of the population were:—

As Paid in		(1st) Actually.	(2nd) If Adjusted.
		s. d.	s. d.
England	... ..	17 5	66 11
Scotland	... ..	26 6	45 9
Ireland	... ..	17 10	29 1

The rates of duty were the same for the three countries. The contrast between the two columns revealed how the Englishman was relieved by the lighter rate of taxation put upon the alcohol contained in the Englishman's favourite beverage, *e.g.*, beer.

Subsequent to the consolidation of the Exchequers there came a complete overhauling of the machinery for the collection and management of the Revenue. By an Act of 1820 (1 and 2 Geo. IV., c. 90) a body of Commissioners was appointed to carry out this work in detail. Between 1822 and 1829 these Commissioners issued as many as twenty-two reports: their recommendations were carried out by administrative orders or by legislation according as the case required. We thus passed from the administrative machinery of a self-governing Ireland to the present system of the United Kingdom. Two of the changes thus legislatively sanctioned may be mentioned, as connected with the Sixth Article of Union: (1) The post-Union 10 per cent. protective duties were brought to an end by a graduated reduction to zero, establishing free trade between Ireland and Great Britain; (2) in 1824 the cross-Channel trade was reduced to the status of a coasting trade, and no record was kept after 1825 of

the transit of goods between Ireland and Great Britain, except for goods subjected to different rates of duty. The loss of this record of the cross-Channel trade has not merely created an insoluble statistical difficulty in estimating the true revenue since contributed by each country: what is far more important to Ireland, it has deprived the Irish people of all accurate knowledge of the daily supply and demand in their own markets, so that they are carrying on as it were in the dark the important business of buying and selling the whole of their imports and exports.

For the rest the history of our financial relations resolves itself into a wearisome succession of unavailing protests made on behalf of Ireland ever since 1817 against a steady drift of fiscal policy aiming at the complete assimilation of taxation between that country and Great Britain. I give a list of thirteen protests made by way of motion in the House of Commons, with the mover's name, which were occasions for important debates:—

April 26th, 1816—Sir John Newport, Bart., M.P.

May 20th, 1816—Debate on Consolidation.

April 22nd, 1822—Sir John Newport, Bart., M.P.

April 22nd, 1834—Daniel O'Connell, M.P.

May 25th, 1853—Colonel Francis Plunkett Dunne, M.P.

June 12th, 1863—General Francis Plunkett Dunne, M.P.

February 26th, 1864—General Francis P. Dunne, M.P.

July 9th, 1867—Sir Joseph Neale MacKenna, M.P.

March 13th, 1868—Sir Joseph Neale MacKenna, M.P.

March 12th, 1875—Sir Joseph Neale MacKenna, M.P.

June, 1877—Mr. Mitchel Henry, M.P.

April, 1882—Sir Joseph Neale MacKenna, M.P.

February 23rd, 1886—Sir Joseph Neale MacKenna, M.P.

1890—Mr. Goschen's Select Committee.

1894—Financial Relations Commission.

I now leave this survey of the past, to take up the consideration of the present position of Irish Finance. I may be allowed to use without comment some of the figures which I have established in my British Association paper, a copy of which is, I believe, in your hands.

On the mean of the two years 1909-11, the present tax revenues "collected" in Ireland amount to £10,409,500; and the non-tax revenue, at the latest figure, is £1,294,500—making a total for "collected" revenue of £11,704,000. These figures may be supposed to be accurately known, and there is no dispute about them. But the taxes "collected" in Ireland are not the taxes paid by residents in Ireland. On tea, sugar, wine, &c., taxes

paid really by Irish consumers are very largely "collected" before the goods come into Ireland; on spirits, beer, and tobacco heavier taxes are "collected" in Ireland which are really paid by consumers living elsewhere. But no trustworthy data exist to make these adjustments, because no machinery exists for accurately recording the imports and exports of Ireland. The Treasury "guess-work" by which the adjustments are made at present are based on data admittedly insufficient, which are not disclosed to the public, and which produce results which whenever they can be tested are found to be quite wide of the mark. One would imagine that the movement of spirits is accurately recorded by the permit system: yet the White Papers issued by the Treasury last June had to be cancelled and re-issued in October because of errors in this one item amounting, in a shifting of taxes, to the large sum of £159,000. But in regard to such items as Income Tax, Stamps, and Post Office Revenues the adjustments are still more cryptic and far more unfair to Ireland. The net result of the Treasury guess-work is to make the tax-revenue paid by Ireland £8,657,500; or £1,742,000 less than the tax-revenue "collected" in Ireland. Now this estimated figure is not accurately known; it is hotly disputed by everybody in Ireland who has investigated the available data, and it is demonstrably unjust to Ireland. In point of law there is no such thing as Irish revenue since 1817: there is only United Kingdom revenue. And the abolition of all recording of the cross-channel trade after 1825 was based on legislation which assumed the law to be in accordance with the fact. The Treasury guess-work is a statistical exercise carried on in private; by methods never sanctioned by Parliament; and with results which are irreconcilable with known facts. This is not a case of an estimate made as nearly accurate as can be practicable; or of an estimate which is practically correct, though not scientifically exact. It is the case of an estimate which is repudiated because it is known to be unfair to Ireland. To make that Treasury guess-work the basis of an international adjustment of the financial relations is to settle nothing: it would merely be to erect a statistical inaccuracy into the importance of an international swindle. The Irish people give the Treasury officials the credit of having done their best in the absence of the necessary data; but they also give their verdict that the Treasury has failed to measure the facts even as far as these are known.

So much for the revenue side. On the expenditure side the Treasury make out the amount of "Irish" expenditure in 1910-11

was £11,344,500. Now in point of law there is no such thing since 1817 as Irish expenditure : it is all United Kingdom expenditure. It is also impossible to construct any acceptable principle which will distinguish between Imperial and local expenditure. The Treasury rule, as explained by Sir E. W. Hamilton, is to call "Irish" any item of expenditure which would cease if Ireland ceased to exist. Thus the Lord Lieutenant's salary is "Irish" expenditure ; but the Civil list of the King, and even the salary of the Speaker of the House of Commons, is not an "English" expenditure, although all paid and spent in England. The Treasury rule breaks down, whenever comparison is to be made between payments for "local" and for "Imperial" purposes. When applied to Ireland it makes the assumption that there is no Imperial expenditure in Ireland : it rules that expenditure in Ireland is to be termed "Irish" because it would cease if Ireland disappeared. But the rule has the statistical value of summing up into one total what Ireland costs to run as a portion of the United Kingdom. It costs £11,344,500 : that is, £2 11s. 9½d. per head of the Irish population, as compared with £1 9s. 7½d. per head for the cost of "local purposes" in Great Britain. Now that £11,344,500 is a monstrous expenditure, nevertheless Irish "local purposes" stand in grievous need of more government expenditure—for our "water-logged counties," our "inadequate harbours," our "starved education," to use Lord MacDonnell's illustrations. So the expenditure has grown, is growing, and will continue to grow. Mr. Parnell died in October, 1891, and since then the English people, perhaps, feel more at their ease about Ireland. Now since Mr. Parnell died the Government expenditure in Ireland has risen from £5,985,999 to £11,344,500, a net increase of £5,358,500. Does that make things feel easier?

The expenditure £11,344,500 is greater to-day than the £9,952,000 true revenue paid by Ireland by a deficit of £1,392,500. So that, per Treasury estimate, Ireland is being "run at a loss" by Great Britain to that amount. But that does not disclose the full meaning of the present effect of the financial arrangements for 1816. The total revenue contributed by taxes for the United Kingdom is now (as a mean of the two years 1909-11) £140,680,000. The *taxable capacity* of Ireland is, as I showed elsewhere, not as much as one-twenty-fifth that of the United Kingdom. If the taxes were fair to Ireland she would contribute a tax-revenue of £5,627,200 (the one-twenty-fifth part of £140,680,000). But her actual contribution by taxes is £8,657,500 : so that the over-taxation of Ireland at present is at

least £3,030,300. Ireland is paying £3,030,300 more than the financial arrangements of 1816 will justify. On the other hand, the whole of the expenditure, £11,344,500, is right and justifiable according to the arrangements of 1816—"the greatest boon ever conferred by one country on another," as we have seen. So the present effect of the financial arrangements of 1816 is that Ireland ought to be costing Great Britain a net deficit of £4,422,800; but by unfairly extracting from Ireland £3,030,300 of over-taxation, Great Britain has so far "cut her losses" down to the present deficit of £1,392,500.

Is there not something radically wrong about these financial arrangements of 1816? There is something wrong: it is an arch without its keystone. Revenue and expenditure, in any sound system of finance, ought to stand balanced one against the other, one ought to determine the other. The men who incur expenditure ought also to be the same who provide ways and means; the people who pay the revenue ought also to be the people who are served by the expenditure. The Government officials of the country, who get their living out of the expenditure, ought to be the servants, not the masters, of the people whose money they are spending. The scale of government salaries paid in Ireland to-day is a public scandal, having regard to the scale of average incomes earned by the same class of people in commercial or professional life in Ireland; it is a public scandal having regard to the scale of Government salaries paid in great European States like France, Germany, Austria-Hungary, still more so for the smaller European States such as Italy, Denmark, Switzerland, Holland, or even wealthy Belgium. The Irish scale of salaries is higher than in Scotland, or in any of the British Dominions beyond the Seas. These scandalous Government salaries in Ireland are not required to maintain administrative efficiency at the British level; if every Irish official salary above £300 a year had been fixed at one-half its present figure the very same men who now fill the posts would have been glad to accept them. The money paid to the Irish Constabulary men is about double what the same men could have earned as ordinary citizens in Ireland. The officials are everywhere in Ireland by their income, their social prestige, and their irresponsible authority, the masters, not the servants, of the Irish people.

There can be no sound finance in the government of Ireland without an Irish Parliament controlling and providing for its own finances. That means not merely Home Rule; but Home Rule based on the principle of fiscal independence. But Home Rule

is a bigger and a greater thing than finance. After all, finance is a means not an end : it is policy that must dictate finance, not finance policy. What I have said elsewhere I now repeat : "Home Rule is a large human problem, essentially a question of nationality, sustained by a sense of injustice and injury to be righted, inspired by a historical claim to be re-asserted. Where human sentiment looks for appeasement and human feeling awaits reconciliation, it is obvious that there finance enters only as a subordinate consideration." The Irish people want freedom in their own land, and they want to pay for their freedom. The suggestion that has been put forward of late years that they ought to diminish their claim to be the rulers of their own country, because the officials who now rule the country can obtain a profit out of the Union is a suggestion which puts finance above policy and sacrifices the end for the means. But that finance is not sound finance, and it has no element of permanence more than any other swindle can have. Let nobody believe that the people of Ireland have sold their Parliament in order to make a profit out of the Union. The Irish people are not wealthy, and not avaricious : but they have two possessions that they value above everything in the world, their religion and their country. They are, therefore, a pure people, fundamentally honest, and as tenacious of their purpose as any race of people that ever lived. The Irish National Movement has had a long history, it has been sustained by the devoted sacrifices of a long line of Irishmen whose memory is a common bond of union among the Irish race throughout the world, and it is an absurd as well as an insulting suggestion that present Parliamentary leaders of the Irish people should now sell the trust that is committed to their keeping for any financial considerations whatever.

IRISH FINANCE

By the Right Hon. THOMAS LOUGH, M.P.

The Present Position of the Question.

IT is common knowledge that a measure of Home Rule for Ireland is to be introduced shortly into Parliament; it is also realised that the fate of the Bill will be decided largely on its financial proposals and those provisions which spring out of them, as happened with the preceding Bills of 1886 and 1893. It is natural, therefore, that the greatest interest should be taken in every reliable forecast as to what plan is to be adopted to meet these difficulties in the coming measure, and we are not left altogether in the dark on the subject. The Irish leaders, who are probably the best authority, and to some extent at least in possession of the views of the Government, have intimated that they will accept a Bill which leaves the control of Customs and Excise in the hands of the Imperial Parliament, and as this includes all the heaviest taxes and may account for nearly four-fifths of the Irish revenue, it will be realised that any such decision goes far to shape the whole measure alike in what it fixes and what it implies. It means that the Irish Members will remain at Westminster in full numbers, if not quite so numerous as at present; it means also that the right to lay taxes on Ireland will remain with the British Parliament and that the Irish Assembly will have to subsist on the limited produce of its direct taxation and grants or allowances from Westminster, eked out no doubt by such additional burdens as it may prove practicable to impose. Without introducing lengthy quotations, this may be accepted as a brief description of the scheme adumbrated by Mr. John Redmond, M.P., and accepted in pamphlets issued under the auspices of the Irish Parliamentary Party, so that we are perhaps not going too far if we look upon it as the basis provisionally settled, though no doubt subject to alteration, of the coming scheme of Home Rule. Some such plan has also been supported

by Lord MacDonnell in two speeches delivered in Ireland, one in Belfast and the other in Dublin.

So far as I have seen, no clear statement has yet been issued by the Government on these or other important details, therefore every attempt to focus opinion must be of assistance. The Government have recognised how serious this aspect of the question is, by appointing an advisory committee to consider it, but the reference made to this committee and their report, which has now been completed, have not been published. When we turn to outside discussion, we find far less reticence and unanimity. A pamphlet has appeared under the title "Home Rule Problems," which embodies the views of many Liberals, and in it the balance of opinion is strongly against such limited proposals, and in favour of giving complete financial control to Ireland. In Dublin also a class of students has been formed, and a valuable series of lectures delivered by Professor Oldham, and there also the opinion seems to be strongly against so restricted an arrangement. On December 2nd last there appeared in *The Times* the statement that some of the recommendations made by the Financial Relations Committee appointed by the Government "had leaked out," and that they were (1) that the Irish Parliament should have control of Customs and Excise; (2) that hostile duties against England should not be set up; (3) that Great Britain should contribute for some time to Ireland the cost of the old age pensions and a grant of three millions a year, or a lump sum of fifteen or twenty millions. Finally, perhaps I may refer to a most able work called the "Framework of Home Rule," which has just appeared from the pen of Mr. Erskine Childers, which contains an emphatic appeal to Parliament to adopt the Colonial method and to grant Ireland full control over all her finances.

The History of Irish Finance from 1801 to 1894.

The conflict of opinion to which I have thus called attention illustrates the difficulties which for over a hundred years have surrounded the financial connection between Great Britain and Ireland. Its history is now so well known that I need make but slight references to periods which are remote. The scheme of finance set up at the Union lasted only seventeen years; it provided that Ireland should pay as a fixed proportion two-seventeenths of the joint expenditure of the United Kingdom; it was fought at the time by every Irishman who understood it, and it has been condemned by two Royal Commissions. In 1817, although the fixed contribution was discontinued, the right of

common taxation was asserted, and the abolition of the safeguards devised in 1801 deprived Ireland of all the benefits which she might otherwise have received in the shape of decrease of burdens during the long peace. In 1823 the destruction of the Custom House deprived Irish commerce of that guidance and assistance which other civilised nations enjoy, and was probably the most cruel blow ever dealt to the trade of the country. In 1853 to 1858, by successive steps, the chief remaining differences in favour of Ireland were abolished, and the taxes were so raised that over five millions per annum beyond all the costs of Government were exacted. There is little room, therefore, for surprise that a series of famines occurred, that the population was reduced to half, and that the well-being of the nation was completely undermined. In spite of an inquiry in 1864, and spasmodic efforts in Parliament, nothing was done towards unveiling the real causes of the country's decline. It was under such conditions that the Home Rule Bills of 1886 and 1893 were produced; there had been no inquiry into finance, taxation, or the general economic position, little had been effected towards showing the British people in what respect their Government had been so incompetent and cruel, and so the Bills failed, and the chief benefit for Ireland they left behind was the appointment of the Royal Commission on the Financial Relations between the two countries.

The Report of the Royal Commission of 1894.

This inquiry produced a profound effect on public opinion, and when in 1896 its report was published, it proved an ample vindication of all the complaints which Irishmen had made against the Union. Before 1896 the common view in England was that Ireland was a pauper country subsisting on the benevolence of her rich neighbour. Since 1896 this self-complacency has disappeared, and there is a feeling which perhaps may be compared to what a trustee might experience who had misapplied his ward's estate and just escaped punishment. The financial effect of the findings was admirably laid before the recent meetings of the British Association at Portsmouth in a table prepared by Professor Oldham, which showed that beyond all the expenses of Irish government the net balances retained by Great Britain between 1809 and 1911 amounted to £320,780,970, without including interest.

Although such statements made in Parliament and elsewhere have altered opinion, and by opening the purse have secured

great financial benefits for Ireland, yet no one can look back over the fifteen years which have passed since the report was issued without feeling disappointed that more solid and lasting results have not been obtained. To start with, the order in which the conclusions should be approached is not observed. The first of the five almost unanimous recommendations (which are all that I will refer to) is that "for the purpose of this inquiry Great Britain and Ireland must be considered as separate entities." This goes far to justify the claim for fiscal autonomy. The second is "that identity of rates of taxation does not necessarily involve equality of burden." Here is the separate Customs and Excise fully justified. Then the third finding, which points to the then existing tax revenue of one-eleventh, and says "that the relative taxable capacity is very much smaller, and is not estimated by any of us as exceeding one-twentieth," is nearly always misquoted and misunderstood. It does not say that the over-taxation is $2\frac{1}{4}$ or $2\frac{3}{4}$ millions, as is so often repeated. It says "it is not estimated by any of us as exceeding"—a figure which would give the latter result—what, then, is the true figure? To find it we must search among the separate reports, and Irishmen may reasonably be expected to accept the conclusion embodied in the Irish report, signed by Thomas Sexton, Edward Blake, and Thomas F. Slattery, which fixes the Irish proportion as one thirty-seventh on the basis of taxable capacity.

The Question of Customs and Excise.

The report does not in words recommend the establishment of separate Customs, but it points out difficulties that can be solved in no other way. The objections to this obvious and vital reform arise from not understanding the nature of a Custom House, which is simply a recording authority indispensable to the growth and safe conduct of commerce, I might almost say of civilisation. Many who see difficulties in the way of reviving the Irish Custom House think that all the work which it could do is now done by the British Authorities, and that all the advantages of the restoration could be secured by a few pen-strokes. They little realise the far-reaching effects of the Act of 1823, which provided that Imports into and Exports from Ireland to Great Britain *should no longer be recorded*, but treated hereafter as coasting trade. When it is remembered that Great Britain is often the buyer of nine-tenths of Ireland's exported produce, and that great differences exist between the two countries in resources, productions, manners, and

customs, the vital character of the blow thus struck may be realised. Since 1823 Ireland knows nothing in the strict or useful sense of what commodities she sends out or brings in. There is no key to unravel for her the mystery of her hard struggle for life; all who trade with her must "go blind," as they are deprived of the knowledge which would be at their disposal everywhere else. Great Britain gives Irish exports no preference. Her bacon, eggs, poultry, pigs, and cattle have to meet the like exports from Russia, Denmark, Canada, or France. These other countries all know what they send, what they bring back, when it comes and goes, and what it fetches or may cost. But Ireland has none of this knowledge; she alone comes to the market gagged and blindfolded, and the seller has all the conditions of his trade fixed by the buyer.

Among the manifold evils which this condition of things causes, I may point to the Irish cross-Channel trade in live stock, one of the most wasteful and inhuman to be found anywhere. Take, for example, the live fowl business, in which birds are bought at inadequate prices from peasants in Ireland, and carried over the sea packed in shallow crates, to be fattened in a few weeks and sold as Surrey chickens or fat French capons. Or take those British industries of prime Wiltshire bacon or York hams, the main basis of which is the Irish pig. Fat cattle carried over the Channel lose two or three pounds sterling in value per head in the transit; if they were slaughtered in Ireland, the conveyance of the meat would be cheaper and safer, and new industries might arise from the waste products. There is no doubt that the rough wastefulness connected with these and other staple trades is largely caused by the want of that accurate knowledge which a Custom House alone can provide. At present an inquiry is being conducted by the Irish Government into the question of the scarcity of milk, especially in winter, and it is well known that during certain seasons of the year, Ireland, although one of the greatest producing countries, becomes largely dependent on foreign countries for butter. Yet she has no exact information as to when or in what quantity butter goes out or comes in, what it fetches or costs, where it goes or whence it comes. That a nation should be placed in such a humiliating position with regard to one of her own staple industries is almost incredible.

The plea for a Custom House in Ireland is greatly strengthened by the curious action of the Conservative Government in 1904 in allowing the Department of Agriculture to spend considerable sums in preparing and publishing late in every year some crude

figures which, with many apologies for lack of better, it puts forward as an account of the Exports and Imports of Ireland. It is not the business of a Department of Agriculture to prepare such figures. It is a work that can only be done under statutory authority and by a properly constituted Custom House. What is needed is not an out-of-date annual table to form a basis for statistical gossip, but a true account issued daily in every port, of all that comes in and goes out, with their correct values and their port of origin or destination; these to be collected and published monthly and summarised annually without loss of time, so that they may be of the greatest use to the trading community. One has only to read the introductory notes published with these tables to realise how ludicrous it is for such to be issued as a Government paper. The Editor complains of "the serious difficulties" he finds in collecting the facts; he has "no statutory authority," his sources of information are unsatisfactory and incomplete. No particulars whatever can be obtained as to many classes of goods, including motor cars, motor and other cycles, many large items of piece goods and drapery. There is no right to ascertain values. The meagre information with regard to the foreign trade of Ireland is humbly gleaned from the consular reports, or Blue Books issued by foreign Governments. In last year's volume there is a confession with regard to tobacco, that the figures published in previous years were inaccurate owing to including duty in the values and wrong tares in the attempt to estimate weights. In tea this year the number of pounds imported is given in gross weight, and as the tare in the kind most generally used is thirty pounds in every hundred, the quantity given may require to be reduced by one-third or one-fourth to make it nearly accurate. Countless other examples might be furnished, but these are sufficient to show that a nation which cannot command such reasonable facilities as these returns fail to furnish is hopelessly handicapped in conducting its commerce. The one benefit which the publication has secured for Ireland is to show how large and important her export and import trade is. In 1910 the export of linen goods amounted to £13·3 millions. On the other hand, 14 million pounds' weight of unmanufactured wool left the country. Although the exports of woollen goods have almost doubled in the last five years, still the total is unimportant, and only amounts to £617,436. This contrast between linens and woollens recalls the gloomy history of the seventeenth and eighteenth centuries, and the attempt to repress the latter industry by more

cruel and open, though not less efficacious means than are employed to-day.

The totals given for exports and imports in 1910 were £130·9 millions, equal to £29 per head of population, against £22 per head for the whole of the United Kingdom, £13 for France, and £12 for Germany. On the other hand, Belgium, Holland, Denmark, and New Zealand yield much larger figures, though Ireland would soon compare favourably with any, if she were endowed with the same free institutions. Although under the facilities which a Custom House would afford, the whole volume of business would greatly increase, yet the main results which it would secure would be the inevitable improvement in the character of Irish trade and a consequent vast increase in its profitability to the nation, by affording at all times true, exhaustive, and reliable information as to all those vital facts which are now most rigorously concealed. There is no fear that the necessary machinery would erect a barrier between the two islands; it will constitute a bridge over which Ireland will pass from poverty and discontent to prosperity and peace. There is no necessary connection between a Custom House and a Tariff. If it is desirable to take precautions against a hostile Tariff in any Home Rule Bill, a clause can be inserted binding each country not to penalise the other's products. Without a Customs barrier, the true revenue of Ireland can never be ascertained, and it is strange that any Irishman can assent to a financial settlement which will not ascertain this. There is yet another serious difficulty in the way of continuing the present system. When domestic government is set up in Ireland it will require free borrowing facilities, and these will not exist if it is not able to exhibit and control its full revenue.

Irish Finance from 1894 to 1911.

The great merit of the Report of the Royal Commission was that it formed a new starting point in history and in British policy towards Ireland. Its authority has never been impugned except as to its statements of the produce of Irish taxation, which are probably under estimates, resting as they do on no better foundation than guesswork by the British Treasury. The best course, then, is to accept the findings of this Commission, see how far they have influenced policy since they were published, and then consider what remains to be done.

Nothing more impressed the minds of the Commissioners than

the contrast in the progress of population between the two islands ; in the concluding fifty years of the period they found in Great Britain that population had doubled, while in Ireland it had been cut down to nearly half. What is the progress since 1894? In that year the population of Ireland was estimated at 4,600,599 ; in 1911 it was found to be 4,381,951. Thus the decrease continues, although in smaller ratio to the whole, and, as before, it has to be contrasted with a gigantic increase in Great Britain. It is clear, therefore, that the two islands are still not affected by a common destiny, but that in its most tragic and painful feature the contrast between them continues, and this fact must be borne in mind by all who may be inclined to attach undue importance to any superficial evidences of progress that Ireland may now present in other respects. This question of population presented itself to the Commission from another point of view, which made it infinitely more serious. It was looked at in connection with taxation, and it was found that no fair relation had ever been established between the two ; as the numbers of the people diminished, their burdens increased ; the fewer they were, the more they were made to pay. Indeed, the Commission found that the progress was in almost precisely inverse ratio, when the numbers had fallen to half, the load of taxes had doubled. So let us now turn to taxation, and consider what has been its tendency since 1894.

The means to consider the question are happily at our disposal, for after a long Parliamentary struggle in 1896 the late Mr. Hanbury, who was then Secretary to the Treasury, agreed to issue in an annual White Paper the same figures for each successive year as the Commission had unearthed from the past and presented in its report. The fault of these figures, it must always be remembered, is that they are only British guesswork on matters which involve the credit of Great Britain as against Ireland. Their correctness has been constantly assailed, and they have been frequently corrected, and each correction has shown the Irish case to be stronger. Until the Irish Custom House is reopened they can never be reliable, but in the meantime they may be taken as a minimum of what Ireland pays in taxes annually.

I furnish in Appendix I. annual figures extracted between 1894 and 1911, showing all the Irish Imperial taxes, with the estimated population. This table shows that in the seventeen years taxation has risen from £7·6 to £10·1 millions, taking the total for the latter year as the mean of 1910 and 1911 in

order to correct the Budget difficulty, and the population has decreased by 220,000. This increase of $2\frac{1}{2}$ millions in so short a period is quite equal to anything that has gone on since the Union in 1801. The enlarged yield has been obtained not by growth in the productivity of the respective taxes, but by raising their rate and increasing their number. The various taxes are summarised under three heads, direct, indirect, and what may be called non-tax revenue, including the Post Office. The former consist mainly of income-tax and death duties, and the rates of both of these have been, roughly, doubled, and their yield increased in nearly, though not quite, the same proportion; the stamp duties have been also greatly increased, and a new source of worry, if not of revenue, opened up in the land value duties. Under indirect taxes, also, it was not found possible to get more revenue without adopting the former methods, so the burdens on tobacco and alcohol were increased by 25 per cent., on tea from 25 per cent. to 100 per cent., and new taxes were imposed on sugar, petrol, and corn, although the latter only lasted for one year. The amounts received under every head for the years given will be found in the appendix.

It must be remembered that the evil which the Royal Commission found in Ireland was over-taxation. Its report stated¹ that the burden imposed at the Union was "greater than the country could bear," and that the increase of taxation between 1853 and 1860 "was not justified." In the last eighteen years, instead of any reduction, there is not even a pause in the imposition of fresh burdens. How then is it that the protest against the new taxation is not more vigorous both in and out of Parliament? The answer is that, great as are the taxes, there is something connected with Irish finance more striking still since the report was presented, and to find this we must turn to the other side of the account and examine the expenditure during this period. The particulars with regard to it are given in Appendix II, and they show that whereas in 1894 the total cost of Irish government had been £5·6 millions, in 1911 it was £11·3 millions, and it may be added that such commitments have already been made for 1912 as will raise it to nearly £12 millions. Here then is an extraordinary development, the origin of which must be traced in no small degree to the disclosures of this Royal Commission. Before it met, for nearly a hundred years, the chief features of Irish national finance had been the heavy taxes, the

¹ Clauses II and III of the Majority Report.

small expenditure there, and the great harvest reaped each year by Great Britain. Now while the heavy taxes remain, they are dwarfed by the large domestic expenditure, and Great Britain has ceased to gain any profit whatever.

The history of the Imperial Contribution¹ in the eighteen years is highly interesting; in 1894² it was £2 millions, and it was gradually pressed up by the Boer War taxes till in 1903 it reached £2·8 millions, but since then it has entirely, and it must be assumed for the present finally, disappeared, and there is instead a shortage, or balance in favour of Ireland this year of £1·3 millions, which is destined to increase just as rapidly as the former contribution diminished during its later years.

Thus is Ireland partly avenged for the financial havoc which she suffered for over one hundred years, and the question arises whether statesmanship can establish no happier relationship than that during the twentieth century Ireland should sponge on Great Britain as Great Britain had sponged on Ireland during the nineteenth. But before going into this it may be useful to indicate quite briefly those items of outlay which in this short period more than doubled the cost of Irish government. The simple way to do this is to look at the details set out in Appendix II contrasting the years 1895 and 1911, and noting the new items or those that show a substantial increase of cost; it will be interesting also to notice the few charges that have disappeared, or that show any appreciable decrease. The heaviest new item of expenditure is Old Age Pensions, £2·4 millions, to be increased this year some £250,000 by the cost of including paupers, £1·1 millions for other grants to localities, an additional £750,000 for Education, including the new National University, £600,000 extra for the Post Office, £415,000 for the Board of Agriculture, £350,000 extra for the Land Commission, to be largely increased this year, and £190,000 for the development grant. As these account for six millions of the new expenditure, no more need be particularised. The chief item which fails to show any reduction such as might reasonably be expected is the expenditure on law and police, still accounting for nearly £1·8 millions.

¹ See Appendix II.

² In 1899 it was 5·4 millions.

The Future of Irish Finance.

Three ideas suggest themselves from these figures. First, that the situation is the result of hasty and haphazard treatment of matters of the greatest importance when further neglect of them had become impossible. Second, that the present condition of things cannot continue. And, third, that if there were no other reason for dealing with the question of Irish government, the hopeless financial tangle which has arisen makes action urgent and unavoidable. The reckless expenditure of public money is injuriously affecting all classes, and although great benefits have been secured there is only too much reason to fear that the self-respect and independence of character which are the country's best assets will be fatally injured. Everything is being done wastefully, and without the slightest consideration of true economic principles.

Let us look, for example, at the labourers' cottages, nearly 40,000 of which have been built in the rural districts. It has not been provided that the rents shall suffice to repay the loans out of which the houses are built, and a charge of 36 per cent. of the annual cost falls on the taxpayer, in addition to an average special rate of 4d. in the £ on the localities over all Ireland. The houses have not in all cases been given to the most destitute, but are often occupied by artisans, who are thus able to accept a lower standard of wages, so that much of the relief reaches their employers. Take again the old age pensions. The limit of exemption was fixed at £26 per annum, with a view to the cost of living in Great Britain, where the average income is between £45 and £50, but in Ireland the average income is between £15 and £20, so that by applying the same standard, not the destitute alone, but almost everyone who reaches the statutory age may become a pensioner. Moreover, the vast annual sum of 2½ millions is applied to this purpose without effectively reducing Poor Law expenditure or getting rid of the 160 great workhouses which are scattered over the country.

In some respects the work of the Land Commission is also demoralising; both landlords and farmers are receiving pecuniary benefits from the taxpayer; evicted tenants, or even those whose ancestors were evicted and occupiers of uneconomic holdings are receiving valuable gifts of land, or houses or stock, in some cases of all three, and it can hardly be possible in every case to secure that the outlay shall be recouped by the beneficiary.

Owing to the land war, no doubt some such compensations for actual suffering were inevitable, but serious risks and dangers are incurred when many years are allowed to elapse, transactions indefinitely protracted, and thus old sores are still kept open. The law of 1898, under which half the rates on agricultural holdings are defrayed by the State, while such relief is withheld from industries which are in a more precarious condition, is highly demoralising. The mere working of these schemes and the other departments of government occupies an army of officials, of whom we hear that 4,397 have salaries above the income-tax line and draw £1·4 millions per annum, against 944 persons employed in similar capacities and paid £319,257 in Scotland, which is a more populous and more wealthy country. In such a condition of things is it any wonder if industrial enterprise is choked, and all eyes are turned to the State for relief or employment?

Attention is not drawn to these evils in order to suggest that they outweigh or can even be compared with the benefits which some of the measures referred to have produced, but only to warn those who may have to undertake the conduct of Irish finance in the future. It must not be assumed that the expenditure of public money in a poor country will in itself enable heavy loads of taxation to be borne; three-fourths of the revenue in Ireland is still obtained from duties on the commodities consumed by the bulk of the people, and the remaining fourth, derived from taxes on wealth, shows no elasticity. The aim therefore should be to find the course which will enable the nation most quickly to develop self-reliance, and to learn again that labour is the only true source of wealth. One method is to throw the whole burden—taxation, expenditure, development—as quickly as may be on the people of Ireland, and the other is for Great Britain still to levy and collect the taxes and hand over a sum that may be fixed from time to time. The latter seems to me to be a system that can only stereotype the evils which it should be our aim to get rid of, so I will, in conclusion, merely indicate in the briefest way how the former plan may be brought into existence without injustice to either country.

The difficulty which the apparent deficit seems to present must not be exaggerated; it arises from three items of extravagant outlay for which Ireland is not directly responsible. They were accompanied in two cases by the explicit statement that Great Britain would bear the cost, and in the third there is clearly a similar liability. I refer to the Royal Irish Constabulary, the

administration of Land Purchase, and Old Age Pensions. It follows that this so-called deficit has simply been created by an error in book-keeping which ignored the Parliamentary and moral pledges, and charged every penny of the cost incurred in each case against the Irish instead of the British account. Since Peel established the Constabulary, every schoolboy has been told that Great Britain pays for them; their cost is three times as great as the cost to Scotland of a police force in many respects more useful. Let Ireland then develop an effective police at one-third of the present charge, and until she does so, pay that proportion towards Great Britain's outlay, which must be taken out of the Irish account, in which it should never have appeared.

Then what a stir there was in England in 1903 about the grant of twelve millions to buy out the landlords; it was the greatest example of British generosity since the slave-owners were compensated!—the only drawback being that the little formality of paying was forgotten, for this, too, is charged against Ireland. The two parts of this bargain also are perfectly clear; Ireland must make good the tenants' annuity if ever it falls short, but Great Britain must pay what she promised to the landlords who acted as her garrison for centuries, the cost of raising the fund which the Treasury has so mismanaged, and the cost of administration till the whole transaction is ended, and in the interest of the peace of Ireland every effort should be made to complete it quickly. These two items taken out of the account would extinguish the deficit. Old age pensions are obviously a local charge which Ireland should meet, but she would never have undertaken them on such a costly scale nor without corresponding economies, so here again Great Britain must assist to carry the burden she created. Within a few years, however, the charge will begin to diminish, so the liability will be brief. In the meantime, if even a fair contribution towards the pensions is made by Great Britain, the Irish accounts will show a substantial surplus instead of a deficit.

Restitution for overtaxation is an impracticable idea. The nation that has been driven out cannot be recalled, nor can the money that was wrung out—often at the cost of life—ever be repaid. There can be no ground for compounding the nation's claim at fifteen or twenty millions—one hundred or one hundred and fifty would be just as easily justified. Small sums may, however, be needed in the first year or two to start the Irish Government on its way, and Great Britain will have to furnish the

same borrowing facilities as the Colonies enjoy. Every existing contract should be respected, and reduction of expenditure can only take effect as new commitments are being made. Years must elapse before any Imperial contribution becomes again practicable, but there is a good balance to Ireland's credit, and when this matter was allowed to rest in her hands, England never had cause to complain of illiberality. In the case of war or other national emergency, a delegation from an Irish Assembly might well meet an equal number appointed by the British Parliament and adjust any demand, and thus all need for Irish representation at Westminster would end. Without going into further detail, by some such easy arrangements, each country paying what it undertook to pay, equilibrium could be established, every Irish charge met by Ireland, and, endowed with a full measure of Colonial freedom, the country might take its place without friction amongst the nations which constitute the strength and the glory of the British Empire.

APPENDIX I.—Table showing the Population and Revenue of Ireland from Taxes and Non-Tax

—	1894.	1895.	1896.	1897.	1898.	1899.	1900.	1901.
Direct Taxes—								
Income Tax	653,417	664,574	718,001	682,000	687,000	704,000	711,000	975,000
Death Duties ...	473,927	503,475	648,413	718,000	642,000	738,000	653,000	873,000
Stamps	248,600	262,876	272,399	296,000	305,000	301,000	296,000	290,000
Land Value	—	—	—	—	—	—	—	—
Total	1,375,944	1,430,925	1,638,813	1,696,000	1,634,000	1,743,000	1,660,000	2,138,000
Indirect Taxes—								
Sugar	—	—	—	—	—	—	—	—
*Tea, etc.	564,080	583,282	604,204	615,000	627,000	653,000	735,000	964,000
Tobacco	1,174,642	1,194,533	1,217,431	1,227,000	1,263,000	1,201,000	1,177,000	1,366,000
*Alcohol	3,529,053	3,554,975	3,614,348	3,631,000	3,620,000	3,600,000	4,047,000	3,985,000
Petrol	—	—	—	—	—	—	—	—
Corn	—	—	—	—	—	—	—	—
Total	5,267,775	5,205,969	5,425,983	5,473,000	5,510,000	5,454,000	5,959,000	6,315,000
Non-tax Revenue—								
Non-Tax	134,826	126,485	128,368	132,000	111,500	124,000	133,500	116,000
Post Office	752,293	763,647	795,168	809,000	824,000	846,000	878,000	903,000
Crown Lands ...	37,809	36,498	36,052	36,000	35,000	35,000	34,000	33,000
Total	924,930	926,450	959,588	977,000	970,500	1,005,000	1,045,500	1,052,000
Total of Taxes	7,568,649	7,690,345	8,034,384	8,146,000	8,114,500	8,202,000	8,664,500	9,505,000
Population.....	4,000,599	4,574,764	4,500,378	4,551,723	4,543,782	4,535,516	4,500,764	4,456,546
*Details—Tea—								
Cocoa	12,309	14,149	14,605	17,000	21,000	22,000	22,000	27,000
Coffee, etc.	12,494	12,842	12,620	13,000	12,000	12,000	14,000	14,000
Fruit	43,775	47,037	46,276	46,000	45,000	43,000	47,000	38,000
Tea	489,033	502,263	524,467	523,000	541,000	564,000	643,000	877,000
Sundries.....	6,469	6,986	6,236	7,000	8,000	12,000	4,000	8,000
Total	564,080	583,282	604,204	615,000	627,000	653,000	735,000	964,000
*Alcohol—								
Foreign Spirits...	368,049	369,095	370,209	386,000	378,000	356,000	414,000	365,000
Wine	96,811	91,496	100,399	104,000	106,000	112,000	138,000	119,000
Spirits	2,234,684	2,206,635	2,224,422	2,203,000	2,175,000	2,151,000	2,471,000	2,324,000
Beer	634,273	690,757	720,088	737,000	757,000	773,000	814,000	966,000
Licenses.....	195,231	196,992	199,230	201,000	204,000	208,000	210,000	211,000
Other Items	—	—	—	—	—	—	—	—
Total	3,529,053	3,554,975	3,614,348	3,631,000	3,620,000	3,600,000	4,047,000	3,985,000

*1894 to 1901, 1903 and 1905 to 1911 under the three heads of Direct and Indirect Revenue.

1903.	1905.	1906.	1907.	1908.	1909.	1910.	1911.	—
1,281,000 642,000 284,000 —	1,115,000 742,000 288,000 —	1,085,000 611,000 293,000 —	1,102,000 691,000 300,000 —	1,106,000 690,000 320,000 —	1,154,000 716,000 311,000 —	451,000 684,000 315,000 —	2,164,000 1,144,000 351,000 1,000	Direct Taxes— Income Tax. Death Duties. Stamps. Land Value.
2,207,000	2,145,000	1,989,000	2,003,000	2,116,000	2,181,000	1,450,000	3,660,000	Total.
473,000 926,000 1,269,000 3,946,000 — 276,000	602,000 928,000 1,310,000 3,616,000 — —	602,000 773,000 1,313,000 3,577,000 — —	602,000 642,000 1,291,000 3,646,000 — —	639,000 657,000 1,218,000 3,653,000 — —	297,000 674,000 1,309,000 3,555,000 — —	276,000 637,000 1,472,000 3,258,000 10,000 —	273,000 655,000 1,595,000 4,178,000 10,000 —	Indirect Taxes— Sugar. *Tea, etc. Tobacco. *Alcohol. Petrol. Corn.
6,890,000	6,456,000	6,265,000	6,181,000	6,267,000	5,835,000	5,653,000	6,711,000	Total.
117,500 960,000 31,000	120,500 1,002,000 30,000	120,500 1,043,000 29,500	126,000 1,060,000 30,000	116,000 1,094,000 28,000	119,500 1,088,000 27,000	116,000 1,110,000 26,000	114,500 1,155,000 24,500	Non-tax Revenue— Non-Tax. Post Office. Crown Lands.
1,108,500	1,152,500	1,193,000	1,216,000	1,238,000	1,234,500	1,252,000	1,294,500	Total.
10,205,500	9,753,500	9,447,000	9,490,000	9,621,000	9,250,500	8,355,000	11,665,500	Total of Taxes.
4,432,287	4,398,462	4,386,035	4,378,588	4,363,351	4,374,158	4,371,163	4,381,951	Population.
24,000 13,000 44,000 837,000 8,000	27,000 13,000 45,000 836,000 7,000	27,000 13,000 48,000 680,000 5,000	25,000 13,000 47,000 552,000 5,000	28,000 13,000 45,000 567,000 4,000	30,000 13,000 46,000 582,000 3,000	29,000 13,000 49,000 542,000 4,000	32,000 12,000 46,000 560,000 5,000	*Details—Tea— Cocoa. Coffee, etc. Fruit. Tea. Sundries.
926,000	928,000	773,000	642,000	657,000	674,000	637,000	655,000	Total.
368,000 122,000 2,194,000 1,048,000 214,000 —	343,000 90,000 2,046,000 923,000 214,000 —	333,000 89,000 1,988,000 952,000 214,000 1,000	348,000 92,000 1,992,000 1,008,000 996,000 216,000 2,000	346,000 87,000 1,990,000 215,000 7,000 —	320,000 82,000 1,948,000 986,000 214,000 5,000 —	279,000 81,000 1,596,000 1,073,000 213,000 20,000 6,000	352,000 88,000 2,216,000 14,000 1,140,000 358,000 10,000	*Alcohol— Foreign Spirits. Wine. Spirits. Beer. Licenses. Other Items.
3,946,000	3,616,000	3,577,000	3,646,000	3,653,000	3,555,000	5,653,000	4,178,000	Total.

* In the two years omitted the figures show no material alterations.

APPENDIX II.—*Table showing the Irish Expenditure and Contribution from 1895*

	1895	1896	1897	1899	1903	1904
Summary.						
Civil Govt. Charges—						
On Consol. Fund	219,143	217,980	217,000	176,000	168,500	170,000
Paymts. to Local Taxn.	—	—	—	—	—	—
Voted	4,051,200	4,390,675	4,297,000	4,265,000	4,357,500	4,569,000
Total	4,270,343	4,548,655	4,514,000	4,441,000	4,526,000	4,739,000
Collection of Taxes...	220,691	228,410	233,000	242,000	246,000	248,000
Post Office Services...	801,561	807,720	823,000	943,000	1,140,000	1,126,000
Paymts. to Local Taxn.	—	—	—	404,000	1,053,000	1,053,000
Total	5,292,595	5,584,815	5,563,000	6,030,000	6,970,000	7,172,000
Local Charges	323,766	353,940	401,000	447,000	388,000	376,000
Grand Total	5,616,361	5,938,755	5,970,000	6,477,000	7,358,000	7,548,000
Imperial Contribution	2,073,384	2,095,629	2,176,000	1,725,000	2,852,000	2,200,500
Details.						
On Consol. Fund.						
Annuity and Pensions—						
Judicial Pensions ...	13,435	13,435	15,000	12,000	8,500	9,000
Courts of Justice.....	4,175	4,175	4,000	3,000	2,500	2,500
Salaries & Allowances—						
Inspectors of Anaty...	470	470	—	—	500	500
Copyright	433	433	1,000	500	500	500
Land Revenue	146	146	—	—	—	—
Lord Lieutenant	20,000	20,000	20,000	20,000	20,000	20,000
Queen's Colleges ...	21,000	21,000	21,000	21,000	21,000	21,000
Miscellaneous	755	755	1,000	1,000	500	500
Courts of Justice—						
Salaries	118,729	117,566	115,000	118,500	115,000	116,000
Miscellan. Services—						
Exchequer Contribn.	40,000	40,000	40,000	—	—	—
Total on Consol. Fd.	219,143	217,980	217,000	176,000	168,500	170,000
Class 1.						
Public Buildings	845	660	1,000	1,000	1,000	1,000
Surveys	52,100	49,400	49,000	50,000	83,000	94,000
Rates on U.K. Gv. Prp.	32,575	42,186	42,000	42,000	48,000	51,000
Public Works & Bldgs.	163,791	176,399	181,000	179,000	191,000	191,000
Railways	64,768	78,101	89,000	92,000	124,000	107,000
Total of Class 1 ...	314,079	346,746	362,000	364,000	447,000	444,000

available for Imperial Purposes for *certain years ending 31st March to 1911.

1906	1907	1908	1909	1910	1911	
164,000	164,500	169,500	165,500	158,500	138,500	Summary. Civil Govt. Charges— On Consol. Fund. Paymts. to Local Taxn. Voted.
—	—	1,462,500	1,446,500	1,442,500	1,477,500	
4,582,500	4,596,500	4,680,000	5,493,500	7,476,500	8,026,000	
4,746,500	4,761,000	6,812,000	7,105,500	9,077,500	9,642,000	Total.
245,000	243,000	242,000	250,000	270,000	298,000	Collection of Taxes. Post Office Services. Paymts. to Local Taxn.
1,199,000	1,209,000	1,256,000	1,312,000	1,365,000	1,404,500	
1,059,000	1,059,000	—	—	—	—	
7,249,500	7,272,000	1,498,000	1,562,000	1,635,000	1,709,500	Total.
386,000	406,500	—	—	—	—	Local Charges.
7,635,500	7,678,500	7,810,000	8,667,500	10,712,500	11,344,500	Grand Total.
1,811,500	1,811,500	1,811,000	583,000	†2,357,500	321,000	Imperial Contribution.
12,000	12,500	15,000	12,500	11,000	15,000	Details. On Consol. Fund. Annuity and Pensions— Judicial Pensions. Courts of Justice. Salaries & Allowances— Inspectors of Anaty. Copyright. Land Revenue. Lord Lieutenant. Queen's Colleges. Miscellaneous. Courts of Justice— Salaries. Miscellan. Services— Exchequer Contribn.
1,500	1,500	1,500	1,500	1,000	—	
500	500	500	500	500	500	
500	500	500	500	500	500	
—	—	—	—	—	—	
20,000	20,000	20,000	20,000	20,000	20,000	
21,000	21,000	21,000	21,000	15,500	—	
500	500	500	500	500	500	
108,000	108,000	110,500	109,000	109,500	102,000	
—	—	—	—	—	—	
164,000	164,500	169,500	165,500	158,500	138,500	Total on Consol. Fd.
1,000	1,000	1,000	1,000	1,000	1,000	Class 1. Public Buildings. Surveys. Rates on U.K. Gv. Prp. Public Works & Bldgs. Railways.
92,000	90,000	89,000	94,000	89,000	81,000	
54,000	55,000	55,000	57,000	59,000	57,000	
201,000	168,000	149,000	180,000	204,000	215,500	
59,000	63,500	58,000	60,000	60,000	61,000	
407,000	377,500	352,000	392,000	413,000	415,500	Total of Class 1.

* In the years omitted there are no material alterations.

† Short.

	1895.	1896.	1897.	1899.	1903.	1904.
<i>Class 2.</i>						
Treasury, etc.	5,400	5,640	6,000	5,000	9,500	9,500
Home Office, etc.	2,708	3,050	3,000	3,000	3,500	4,000
Friendly Socy. Reg. U.K.	457	434	500	500	500	500
Stationery, etc.	39,000	41,500	36,000	39,000	44,000	44,000
Woods, Forests, etc.	2,087	2,181	2,000	1,500	2,500	2,000
Lord Lieut.'s Househd.	3,974	4,726	5,000	5,000	5,000	5,000
Chief Secretary Offs.	40,665	41,777	41,000	42,000	26,000	26,000
Charitable Donations ...	1,708	1,718	2,000	2,000	2,000	2,000
Local Govt. Board	135,131	136,455	133,000	136,000	54,000	55,000
Record Office	5,430	5,214	5,000	6,000	5,000	5,000
Public Works Office	33,558	35,735	36,000	36,000	35,000	37,000
Registr.-Gen. Office.....	15,149	15,647	16,000	16,000	19,000	12,000
Valu. and Boun. Survey ..	11,854	12,469	12,000	13,000	18,000	19,000
Dept. of Agriculture ..	—	50,000	15,000	12,000	155,000	188,000
Total of Class 2.....	297,121	356,496	312,500	317,000	379,000	409,000
<i>Class 3.</i>						
Miscel. Legal Expenses ..	21	23	—	—	500	500
Law Charges	61,871	66,445	54,000	57,000	63,500	61,000
Supreme Court.....	113,001	113,966	110,000	108,000	102,000	101,000
Land Commission	63,228	64,267	79,000	116,000	127,000	117,000
County Court Officers...	113,370	113,378	113,000	109,000	110,000	109,000
Metropolitan Police.....	86,799	88,578	91,000	93,000	93,500	98,000
Constabulary	1,344,580	1,363,661	1,371,000	1,325,000	1,366,000	1,364,000
Prisons	111,758	105,549	100,000	105,000	102,000	107,000
Industrial Schools	106,137	108,328	107,000	111,000	104,000	109,000
Dundrum Asylum	5,482	5,018	6,000	6,000	6,500	6,500
Total of Class 3.....	2,006,247	2,029,213	2,031,000	2,030,000	2,075,000	2,073,000
<i>Class 4.</i>						
Science and Art	45,354	45,520	44,000	49,000	—	—
Scientific Investigation ..	2,877	2,861	3,000	3,000	3,000	3,000
Education	1,088,371	1,142,245	1,185,000	1,206,000	1,333,000	1,376,000
Endwd. Schls. Commrs.	946	1,002	1,000	1,000	1,000	1,000
National Gallery	2,278	2,429	2,000	3,000	3,000	3,500
Queen's Colleges	4,902	4,950	5,000	5,000	5,000	5,000
Univrs. and Colleges...	—	—	—	—	—	—
Total of Class 4	1,144,728	1,199,007	1,240,000	1,267,000	1,345,000	1,388,500
<i>Class 6.</i>						
Old Age Pensions.....	—	—	—	—	—	—
Superannuations	83,950	83,500	81,000	80,000	83,000	85,000
Pauper Lunatics	123,297	126,206	130,000	143,000	—	—
Hospitals and Charities ..	17,958	17,817	18,000	18,000	17,000	17,500
Teachers Pension Fund ..	—	—	95,000	—	—	—
Total of Class 6	225,205	227,523	324,000	241,000	100,000	102,500
<i>Class 7.</i>						
Ireland Devel. Fund ...	—	—	—	—	—	123,000
Exs. Unempld. Wkm. Act ..	—	—	—	—	—	—
Civil Repayments	—	—	3,000	—	—	3,000
Temporary Commissions ..	6,331	6,506	7,500	7,000	2,000	1,500
Local Loans Fund	22,489	114,384	17,000	2,000	1,500	16,500
Relief of Distress.....	35,000	50,800	—	37,000	—	—
Miscellaneous Expenses ..	—	—	—	—	8,000	8,000
Total of Class 7	63,820	171,690	27,500	46,000	11,500	152,000

(continued.)

1906.	1907.	1908.	1909.	1910.	1911.	
9,500	10,500	10,000	10,000	9,500	9,500	<i>Class 2.</i>
4,500	5,500	5,500	6,000	6,000	6,500	Treasury, etc.
500	500	500	500	500	500	Home Office, etc.
44,000	40,000	41,000	45,000	44,500	49,000	Friendly Socy. Reg. U.K.
2,000	2,000	2,500	2,500	2,500	2,500	Stationery, etc.
5,000	5,000	4,500	5,000	5,000	4,500	Woods, Forests, etc.
26,000	26,000	27,500	27,000	28,500	27,500	Lord Lieut.'s Househd.
2,000	2,000	2,000	2,000	2,000	2,000	Chief Secretary Offs.
55,000	59,000	71,000	76,000	67,000	92,500	Charitable Donations.
5,000	5,000	5,500	6,000	6,500	8,000	Local Govt. Board.
40,000	39,000	39,000	42,000	42,000	42,000	Record Office.
12,000	11,500	12,000	12,000	12,000	13,000	Public Works Office.
18,000	17,500	20,500	20,000	21,000	30,000	Registr.-Gen. Office.
190,000	186,500	203,000	213,000	264,000	415,000	Vain. and Boun. Survey.
						Dept. of Agriculture.
413,500	410,000	444,500	467,000	511,000	702,500	Total of Class 2.
500	500	500	500	500	500	<i>Class 3.</i>
63,000	61,500	64,500	61,000	63,500	65,500	Miscel. Legal Expenses.
98,000	101,000	99,500	102,000	104,000	110,500	Law Charges.
155,000	199,000	229,000	265,000	286,000	414,500	Supreme Court.
108,000	110,000	108,000	105,000	110,000	109,000	Land Commission.
95,000	92,500	97,000	93,000	96,000	93,500	County Court Officers.
1,288,000	1,298,000	1,320,500	1,337,000	1,351,500	1,371,000	Metropolitan Police.
112,000	106,000	107,500	106,500	111,500	105,000	Constabulary.
110,000	110,000	108,000	109,000	109,000	112,000	Prisons.
7,000	7,500	7,000	7,000	7,000	7,000	Industrial Schools.
						Dundrum Asylum.
2,086,500	2,086,000	2,141,500	2,186,000	2,239,000	2,388,500	Total of Class 3.
3,000	3,000	3,000	3,000	3,000	3,000	<i>Class 4.</i>
1,394,000	1,392,000	1,384,000	1,541,000	1,606,500	1,632,000	Science and Art.
1,000	1,000	1,000	1,000	1,000	1,000	Scientific Investigation.
4,000	3,000	2,500	3,000	3,000	3,000	Education.
5,000	5,000	4,500	5,000	5,000	—	Endwd. Schls. Commrs.
—	—	—	—	41,000	166,000	National Gallery.
						Queen's Colleges.
1,407,000	1,404,000	1,395,000	1,553,000	1,659,500	1,805,000	Univrs. and Colleges.
—	—	—	582,000	2,342,000	2,408,000	Total of Class 4.
89,000	86,000	85,000	84,000	84,000	86,000	<i>Class 6.</i>
17,000	17,000	17,000	17,000	17,000	17,000	Old Age Pensions.
—	—	—	—	—	—	Superannuations.
106,000	103,000	102,000	683,000	2,443,000	2,511,000	Pauper Lunatics.
						Hospitals and Charities.
						Teachers Pension Fund.
185,000	185,000	185,000	185,000	187,000	191,500	Total of Class 6.
—	11,000	4,500	10,000	9,000	5,000	<i>Class 7.</i>
500	3,000	—	—	—	—	Ireland Devel. Fund.
1,500	9,000	11,500	2,500	3,500	3,000	Exc. Unempld. Wkm. Act.
1,000	—	3,000	500	9,500	2,000	Civil Repayments.
17,000	—	—	13,000	—	—	Temporary Commissions.
7,500	8,000	41,000	1,500	2,000	2,000	Local Loans Fund.
						Relief of Distress.
						Miscellaneous Expenses.
212,500	216,000	245,000	212,500	211,000	203,500	Total of Class 7.

IRISH FISCAL AUTONOMY

BY ERSKINE CHILDERS.

WE are confronted with the fact that one large and important portion of the United Kingdom, a remarkably fertile island with nearly four and a half million inhabitants, is now, financially speaking, a burden upon the rest of the realm, costing more to govern than it subscribes in revenue, and therefore contributing nothing in money to the expenses of the Army, Navy, and National Debt, but, on the contrary, representing an annual loss to the Exchequer of the United Kingdom. On the mean of the last two financial years, this loss, according to the Treasury figures, was £1,392,000; in the current year, owing to a large increase of expenditure in Ireland, it will probably amount to more than two millions. The deficit grows, in short, by leaps and bounds, and it is a matter of urgent interest to every citizen of the United Kingdom, and most of all, on moral grounds, to the citizens of Ireland, that an end should be put to it, and that Ireland should pay her way as a solvent, self-reliant, and self-respecting portion of the King's Dominions. In this paper I shall endeavour to indicate how that result can best be brought about.

Under the Union, as it is scarcely necessary to point out, the power on the part of Ireland to co-ordinate revenue with expenditure within the limits of Ireland does not exist, and this fact is the key to the purely financial side of the Irish problem. When we say that more money is spent in Ireland than is raised by taxes in Ireland, we do not mean that this is Ireland's fault in the sense that she, as a political unit, has, but does not use, an independent power of controlling Irish expenditure or Irish taxation, and producing a balance between them. No such power exists. Indeed, the very idea of such a balance is unknown to the Constitution. It is only by means of an elaborate and not altogether reliable system of bookkeeping instituted by the

Treasury in recent years, and carried back retrospectively to the Fiscal Union of 1817, that it is possible to arrive at an estimate of the financial position past and present of Ireland. When we are speaking of the Irish deficit, what we mean is (a) that under a uniform system of taxation applied by the Imperial Parliament to the whole of the United Kingdom, with a few negligible exceptions in the case of Ireland, and without any recognition of economic differences between the various parts of the United Kingdom, Ireland is calculated by the Treasury to produce a certain fraction of the United Kingdom revenue—on the mean of the last two financial years, £9,952,500, and (b) that by the sanction of the same Imperial Parliament, in the last financial year, £11,344,500 were expended upon Ireland out of the United Kingdom Exchequer.

The question immediately arises: How does it come about that whereas uniform, or virtually uniform, taxation exists in Great Britain and Ireland, there is a marked discrimination between the State expenditure in Great Britain and Ireland? Through what channels, in what form, and under what conditions is Irish expenditure allocated to Ireland? The answer is that in Ireland there exists a separate system of government, judicial, executive, and administrative, complete in all its parts so far as concerns the local affairs of Ireland, as distinguished from Imperial services, such as the Army, Navy, and Foreign Office. The so-called "Union" is not a Union of Governments. Some, of course, of the Irish Government departments, notably, the financial offices, are merely branches of the corresponding central departments in London; for example, the Post Office, Inland Revenue, Customs, Board of Trade, and, in its lending capacity, the Irish Board of Works, which for that purpose is virtually a branch of the Treasury. But the great majority of the sixty-seven Irish Departments, Offices, and Boards are absolutely distinct entities, not co-operating with or concerned in any way with corresponding authorities in Great Britain, but dealing with distinct and exclusively Irish affairs on distinct principles of their own, and often under a system of statutory law peculiar to Ireland. Some have no counterpart in England; for example, the Congested Districts Board, which exercises for certain important purposes almost despotic sway over more than a third of Ireland. The others are self-contained institutions. The Department of Education, for example, is a separate Irish institution operating, under methods of administration peculiar to Ireland, a system of education peculiar to Ireland. Similarly with the executive

power. The Royal Irish Constabulary is a distinctively Irish body, having no parallel in any other part of the United Kingdom, or indeed in any other white community in the Empire, save in the wild, thinly settled regions of such countries as Canada and South Africa. It is a centralised, semi-military armed force resembling in size and organisation a standing army rather than the locally raised and controlled civil police forces which do similar duty in England and Scotland. In the judicial sphere the separation is hardly less complete. Ireland has Judges of her own, Courts of her own, and all the paraphernalia, on a very exaggerated and elaborate scale, of an independent legal establishment. The only link with Great Britain is the right of ultimate appeal to the House of Lords in its judicial capacity.

Here, therefore, is one simple explanation of the disproportionately large expenditure in Ireland. It is not the complete explanation, as I shall show directly, but it is the principal explanation, because it is to or through the medium of the separate governmental establishments in Ireland that four-fifths, approximately, of the State expenditure in Ireland is distributed. Let us first dispose of the remaining fifth part, which is represented by the old-age pensions paid in Ireland, and then deal with the bulk of Irish expenditure.

Old-age pensions clearly stand in a category by themselves. They are disbursed through the medium of the Post Office, which has branches in Ireland, but their scale and conditions are uniform throughout the United Kingdom. Their payment in Ireland has no connection with the fact that there is a separate Irish administration; on the contrary, it is a corollary of the uniform taxation of the United Kingdom. They are State grants to private individuals over a certain age and below a certain standard of wealth. Under the fiscal union any discrimination in the case of Ireland would be impossible, not technically perhaps, but practically; and, in point of fact, Ireland obtained in 1910-11 £2,408,000, Scotland £1,064,000, England £6,325,500; in other words, Ireland received considerably more than twice as much in proportion to population as Scotland, and three times as much as England. The fact is that the number of people in Ireland above 70 and below the stated standard of wealth is more than twice as large, in proportion to population, as in Scotland, and three times as large as in England. This fact is due to two well-known causes, so closely allied as in reality to constitute one; first, the general poverty of Ireland, which necessarily brings an abnormal number of people below the wealth-limit; second, to the

reduction of population by nearly one-half since the year 1845, owing to the uninterrupted emigration—and at some periods the veritable exodus—of the strongest young men and women in consequence of those bad economic conditions, which, although greatly bettered in recent times, created, and still account for, the extreme poverty of rural Ireland.

So much for the number of pensions. In regard to the scale, it need scarcely be argued before an Economic Society that to give old-age pensions to a poor and mainly agricultural population on a scale designed for a rich and mainly industrial country like Great Britain is a measure of doubtful statesmanship which a self-governed country would never dream of initiating. So far from stimulating healthy economic effort, these disproportionately large State grants distributed among a very poor population, where they indirectly enrich whole families and whole districts, if they increase comfort, promote the consumption of commodities and thereby artificially swell the volume of trade, in reality tend to check healthy economic development on self-reliant lines. A scale of 3*s.* 6*d.*, or even 2*s.* 6*d.*, would have been more suitable to Ireland, where agricultural wages average only 11*s.* 3*d.*, as compared with 18*s.* 4*d.* and 19*s.* 7*d.* for England and Scotland respectively. Part of the 5*s.* must be regarded, it is to be feared, as charity, and, moreover, as British charity to Ireland, for Ireland herself, as the accounts show, could not, even on the high existing scale of taxation, afford the sum spent on old-age pensions. It was their introduction, indeed, in 1908 which brought about the insolvency of Ireland regarded as a separate entity.

Let us turn now to the bulk of expenditure in Ireland, which, as I pointed out, is dispensed to or through the medium of a separate Irish administration. Here, again, if this expenditure bore any relation to the resources of Ireland, if, that is, the separate Irish Government were controlled by a separate Irish Legislature, raising exclusively Irish money, for exclusively Irish purposes, we should expect economy. But no such machinery of control exists. The Irish Government is financed on the British scale, that is, on the scale of a country immensely wealthier, judged by any and all the ordinary economic criteria of national wealth. This remark applies not only to normal branches of expenditure in Ireland, where we can aptly contrast salaries and other expenses with those of other countries similarly situated, but to those painfully abnormal governmental activities which have no counterpart in other civilised countries.

As an example of a normal branch of expenditure, we may take the judicial and legal establishments, which are financed on a scale which small foreign countries like Denmark, Sweden, Norway, or self-governing Colonies like Australia, Canada, and South Africa, all of them countries relatively to population far richer than Ireland, could not and do not bear, but which in the case of Ireland mimic their British counterparts in point of cost, irrespective of the character and quantity of work done. The Lord Lieutenant, for example, receives £20,000 a year, or twice the sum given to any Colonial Governor. Irish County Court judges, of whom there are sixteen, obtain £1,400 a year each (as compared with £1,500 in England) for work which in the aggregate probably deserves no more than half that sum. The Attorney-General, for a country of 4,381,951 inhabitants, obtains a salary of £5,000, as compared with £1,400 paid in the Dominion of Canada, with over seven million inhabitants, and £7,000 in England, with over thirty-six million inhabitants. The same extravagant methods run through the whole of Irish administration, and apply to the numbers and emoluments of all public officials, high and low. The solitary example of economy—or apparent economy—is in the department which should transcend all others in importance, namely, that of Primary Education, where Ireland in 1910–11 received £1,632,000 from the common chest, Scotland £2,250,500, and England (under the vote entitled “Board of Education,” which includes some extraneous expenses) £14,166,500. Though at first sight the figures seem tolerably fair to Ireland, it must be realised that the Irish figure represents the entire cost—less a few thousands—of primary education, whereas in England and Scotland enormous sums are raised by local rates and private benefactions. England and Wales, for example, raised in 1909 eleven millions in local rates alone, a sum about equal to the grants received from Parliament by the Local Education authorities, while large further sums are derived from private sources for voluntary schools. In Ireland private benefactions are negligible, while under the national system of education, established, it must be remembered, not by an Irish Government, but by the Imperial Parliament in 1831, nothing can be raised by rates.

Among abnormal heads of expense, the Irish Police takes a prominent place. Here, too, there is no local rate or local control as in England and Scotland, but the service is not on that account starved. The Royal Irish Constabulary and Dublin Metropolitan Police, both under centralised governmental control, cost the

Exchequer £1,464,000 in the last financial year. It is a case here not so much of the scale of pay and salaries in relation to the resources and rate of wages in Ireland—though there the disparity is strongly marked—but of the size of the force in relation to the amount of crime now to be dealt with in Ireland. Here the disparity is enormous. There has for many years past been actually rather less crime relatively to population in Ireland than in any other division of the United Kingdom, though the machinery for the detection of crime in Ireland is, relatively to population, twice as extensive and costly. In 1910 there were 49,660 police in England and Wales, 5,616 in Scotland, and 11,909 in Ireland. The cost per head of the population is 3s. 4½d. in England, 2s. 5½d. in Scotland, and 6s. 8d. in Ireland.

Other abnormal services are the Land Commission and the Congested Districts Board, the former obtaining from the common purse £414,500 in the last financial year, and estimated to obtain £544,395 in the current year; the latter obtaining from the same source £144,000 (included in the vote for the Department of Agriculture), besides another £100,000 derived from various sources. The only parallel to either of them in the white communities of the British Empire is the small Crofters Commission in Scotland, which costs the State £4,500. Financed as they are out of the common purse, though managed exclusively in Ireland, neither can be affirmed to be economically administered, and, in the case of the Congested Districts Board, large expenditure of a benevolent character is incurred, the wisdom and value of which is a matter of controversy. Both these costly departments may be regarded as curative agencies for a state of economic and social disease produced by the bad distribution of the land and by the extraordinarily vicious system of agrarian tenure which originated during the last half of the seventeenth century with the virtual enslavement of the Catholic peasantry and the wholesale confiscation of Irish soil in favour of English and Scotch colonists, and which lasted almost unmodified, save in North-East Ulster, until the latter part of the nineteenth century. This economic misery led on the one hand to those vast emigrations and that extreme rural poverty which account on the one hand for the portentous size of the old-age pension vote, and on the other hand to the agrarian lawlessness which called into being the huge police force, whose disproportionate size and cost still survive though their *raison-d'être* has passed away.

Part of the cost of the Department of Agriculture and Technical Instruction, first set up in 1899, must also be regarded as

abnormal in view of the abnormally backward condition of Ireland agriculturally and industrially, necessitating extraordinary expense in methods of development and education. It will not be forgotten that contemporaneously with the last confiscations of Irish soil, the industries of Ireland, some of them very flourishing, were, with the exception of the Ulster linen industry, destroyed by England interests and kept extinguished for nearly a century, that is, until the period when the inventive genius of Englishmen and Scotchmen, working on the accumulated energy and industrial skill of privileged and unfettered communities, had initiated the gigantic industrial revolution which made those countries unapproachable competitors with Ireland. There, save in part of Ulster, the very aptitudes which promote industrialism had been stamped out or expatriated. The cumulative effect of the bad agrarian system and the destruction of shipping and manufacturing industry was overwhelming, and it was to remedy the economic stagnation resulting therefrom that the Board of Agriculture and Technical Instruction was called into being twelve years ago. It has done and continues to do excellent work, but there is no effective guarantee of economical expenditure. Deducting the sum for the Congested Districts Board, which appears in the accounts under the same vote, the net amount specifically voted in 1910-11 was £270,000, but to this must be added a permanent endowment income of £166,000, drawn partly from the local taxation account, partly from a capital endowment created in 1899, partly from the Irish Church Fund, and other sources. The total actual cost last year was £431,000, and in the current year the Parliamentary vote is swelled by £10,000.

I cannot in this paper enter more fully into the various items of departmental and official expenditure in Ireland. It must suffice to say (a) that not one can safely be taken as representing the proper minimum cost of services performed; (b) that some of the most important and costly services are in their very nature abnormal; (c) that they all form part of an absolutely separate and distinct Irish administration; (d) that their cost, like the cost of old-age pensions, does not bear, and is not intended to bear, any relation to the revenue derived from Ireland under a system of taxation common to the whole United Kingdom; (e) that both their cost and their administration are subjected to no proper control.

We are in the presence of this extraordinary anomaly—an administration, so to speak, in the air; without any healthy organic connection with any electorate, representative body, or

Cabinet acting under the sanction of a representative Legislature ; drawing its funds, in the meantime, not from the island within which it exclusively operates, but from the common funds of a United Kingdom. Who does control, so far as there is control, the separate Irish administration? That is a difficult question to answer. The one thing we can positively affirm is that Ireland herself does not control it. There is no Irish Legislature or any effectual means of bringing Irish opinion to bear upon the policy, acts, and disbursements of Irish Government. Irish officials, saving the Chief Secretary and the Law Officers, are irremovable and, in the political sense, irresponsible, without Departmental Ministers responsible to an Irish or any other Parliament. The solitary exception since 1899 is the Vice-President of the Department of Agriculture, but even here the constitutional position is uncertain. Of the two holders of the office both, at one time or another, have been without seats in Parliament for considerable periods, and a Committee has recommended that that practice should be the invariable one. In any case, the holder of the office is not responsible to any Irish body, except in a very limited degree to the Agricultural Council of Ireland, but is appointed or deposed in accordance with the fluctuations of parties in Great Britain.

We can also affirm that the centre of gravity of Irish Government is in Great Britain, and must necessarily be so under the Legislative Union. The Chief Secretary is always an Englishman who sits in the British Cabinet of the day, whatever its political complexion. Theoretically (if we disregard the now almost obsolete powers of the Lord Lieutenant) he has virtually despotic control over the Irish administration and patronage. He is *ex-officio* President of most of the Boards, and he is supposed to be accountable to Parliament for all the acts, executive and administrative, of the Irish Government. It is universally admitted that this is a responsibility which no occupant of the post can pretend adequately to discharge, even with such assistance as can be derived from the two Irish Law Officers. The greater part of his time must necessarily be spent in England, not only because Parliament sits in London, but because as a member of the Cabinet conducting the affairs of the United Kingdom and Empire, he has onerous duties to perform and weighty decisions to share in making, which have no connection with the local affairs of Ireland. He cannot, admittedly, make himself familiar enough with the multitude of special problems presented by Ireland, or take any active supervising part in the innumerable details of the

complicated and chaotic fabric of administration in that country. He is forced, therefore, to permit the Irish officials to be for the most part a law unto themselves, as they are.

Parliament is helpless. No doubt Parliament is an extravagant body in all matters, but in the case of Ireland the ordinary motives for economy, namely, the saving of money for other purposes or, in the alternative, the reduction of taxation, either do not exist or cannot, humanly speaking, be acted upon. Ireland as a whole gains nothing herself by economies in Ireland, either in reduced taxation or in saving for other Irish purposes, while on the other hand individual Irishmen profit by the multiplication of official posts in that country and by the expenditure of public money in any form, irrespective of its moral and economic wisdom. Irish Members, therefore, have not the elementary motives for advocating economy or even sufficient motive for far-seeing and constructive statesmanship in Irish matters. The large majority are conscious of this fact, and make it their main political endeavour to obtain a separate Irish Legislature to control the policy and check the expenditure of the separate Irish Government by normal legislative and financial means. As long as this claim is refused, the British Members of Parliament, more than five-sixths of the whole assembly, have not, and do not claim to have, the moral right to criticise Irish expenditure, owing to complete ignorance of Irish conditions. Even if they possessed the knowledge which would confer that right, neither they nor the Irish Members could exercise it properly, not merely because time is altogether lacking, but because a large portion of the expenditure is so arranged in the estimates and votes as to be indistinguishable from English and Scotch expenditure of a corresponding kind.

We have, therefore, a system which by its very nature is bound to produce extravagance, inefficiency and friction, and the really remarkable thing is not that the expenditure in Ireland has in the last few years come to exceed the revenue derived from Ireland, but that the excess did not appear far earlier, and that it is not now far greater. It is a very astonishing fact that it began only two years ago, and that since the Fiscal Union of 1817 down to 1909, in spite of a continuous decline in the population from 1847 onwards, the net annual contribution of Ireland to Imperial Services averaged three millions of money. The explanation is two-fold: first, that the taxation levied in Ireland has been, and still is, in proportion to her wealth and taxable capacity, unduly high, besides being unsuitable—a proposition

placed beyond dispute by the Royal Commission of 1894-6, and confirmed by subsequent calculations; second, that the curative and philanthropic portion of the swollen expenditure in Ireland is of comparatively recent origin. Roughly speaking, we may date it from 1891, when the Act for the establishment of the Congested Districts Board, for the promotion of light railways, and for the furtherance on a larger scale of the policy of land purchase, was passed. Between that date and 1911 the expenditure has more than doubled, rising from £5,057,708 in 1890 to £11,344,500 in the last financial year, while the true corrected revenue rose only from £7,734,678 in 1890 to £9,952,000. During the last five years the pace has been very rapid, expenditure rising from £7,678,500 in 1906-7 to a figure which in this current year will probably amount to £12,000,000, against a rise in revenue for the same period of barely more than half a million. (£9,490,000 in 1906—say ten millions odd in the current year.) Meanwhile, the population, by the recent census, still continues to decline.

If the increase in ameliorative and eleemosynary expenditure had been balanced by a decrease in punitive and legal expenditure—Police and Justice—the financial position would be somewhat less serious; but no appreciable decrease has taken place. In 1891-2 Police and Justice cost £2,129,849; in 1910-11, £2,090,500, a decrease of only £39,349, although, as I have pointed out, the reform of the land laws has turned Ireland into a country with less crime proportionately than Great Britain.

For this unnatural and alarming state of affairs, hardly less alarming for Great Britain than for Ireland, the financier, the economist, and the statesman must in the last analysis seek a psychological cause and prescribe a political remedy. That remedy is a very old one and a very well-tried one in the history of the Empire, and it is to throw on the Irish people the responsibility for their own fortunes. Since Ireland became a political unit her people have never had this responsibility. That is one of those elementary truths which scarcely need proof from the political historian, but which may be deduced from a study of Irish economic history, coupled with a knowledge of the main characteristics of all white races. No free country would have permitted Cottier tenancy; with all its disastrous and demoralising incidents, to have survived practically intact for two centuries until only thirty years ago, at the cost of the depopulation and to some extent the dehumanisation of the race. I cannot enter into history further than to say that since the final conquest and

colonisation of Ireland at the end of the seventeenth century no responsible, nor even a truly representative government has existed there. The corrupt ascendancy Parliament of pre-Union times consisted exclusively of men of Episcopalian faith, mainly landlords of the colonist stock and their nominees and dependents, and represented at the utmost one-tenth of the population. Nor even during the last twenty years of its comparative freedom was there any responsible Ministry. The Legislative Union of 1800 destroyed all hope of healthy political development on colonial lines through Parliamentary reform and the attainment of responsible government, while the motives which dictated it, the mixture of force, duplicity and corruption through which it was carried, and, above all, the actual mechanism of the measure itself, rendered an organic Union impossible.

The government of Ireland remained in spirit and in many respects in form what it had been before, that of a conquered Crown Colony, and, even after the emancipation of the Catholics and the full extension of the franchise, it remains so still. The closest parallel within the Empire is presented by Colonies like Jamaica and Malta, which have Governors, corresponding to the Lord Lieutenant, and where the executive and administration are wholly removed from popular control, and legislation is only partially within it. The differences in technical form are not to the advantage of Ireland and Great Britain. The Jamaica Legislature, restricted though its powers are, sits in Jamaica and deals exclusively with the affairs of Jamaica, and the centre of gravity of the executive and administration is in Jamaica. The Irish Members sit in a British Parliament, and there exercise powers over Irish local affairs which are far more restricted, while they exercise powers over local British affairs which are disproportionately wide. Indeed, their control, not only over British but of Imperial policy is actually greater than that over Irish policy, owing to the absence in Ireland, and the presence in Great Britain, of a responsible Ministry. When the party balance is even, they can overthrow an Imperial Ministry, but they cannot alter the composition of their own Education Board or reduce their own Police by a man. Finally, Jamaica has fiscal autonomy. Her rulers frame tariffs and levy taxes of a kind suitable to Jamaican resources and needs and rigidly adapted to Jamaican expenditure. No such considerations enter into the fiscal system of Ireland, though her economic and social circumstances differ profoundly from those of her fiscal partner Great Britain.

It is a recognition of this profound and far-reaching difference in laws, habits, labour, wealth, industry, distribution and tenure of land, which must guide the statesman to a correct solution of

	Ireland.	Scotland.	England and Wales.	Gr. Britain, Scotland, England and Wales.	Remarks.
Movement of Population:—					—
Census of 1841	8,175,124	2,620,184	15,614,148	23,799,456	—
Census of 1911	4,881,931	4,759,621	30,675,269	43,812,186	—
Approximate <i>net</i> output in 1907 of the industries making returns under the Census of Production Act, 1906	£ 22,000,000	£ 87,000,000	£ 603,000,000	£ 699,000,000	—
Value of external trade in 1909 (imports and exports)	£ 125,675,847	£ 300,000,000	£ 1,440,000,000	£ 1,740,000,000	Owing to the land frontier, no figures exist for Scotland and England. I follow the rough estimate of Mr. Edgar Crammond in a paper read to the R. Statistical Soc., Dec. 19 1911.
Acreage and Holdings:—					
Total acreage	20,350,725	19,070,460	38,798,379	57,868,845	—
Number of agricultural holdings exceeding one acre in 1910	519,765	78,124	431,584	509,718	—
Average wage of agricultural labourer	11s. 3d.	19s. 7d.	18s. 4d.	—	—
Railway Receipts:—					
Average gross receipts per mile of the principal railways in 1910	£ 1,315	£ 3,414	£ 6,586	—	—
Gross income reviewed for Income Tax, 1909-10 ...	15,872,302	90,204,055	275,604,479	371,808,834	—
Estimated national income <i>per capita</i>	(£18)	(£23)	(£48)	—	Following Mr. Crammond's estimate as above (national wealth based on Sir R. Giffen's method).
Estimated national wealth <i>per capita</i>	(£160)	(£305)	(£382)	—	
Old Age Pensions:—					
Amount paid per Old Age Pensions, 1910-11 ...	£ 2,408,000	£ 1,064,000	£ 6,325,500	£ 7,889,500	—
Estimated relative taxable capacity on the basis of (1) assessment to Income Tax, (2) assessment to Death Duties:—					
In 1893-4... ..	Ratio of Irish to British taxable capacity, 1 to 19.				The minimum estimate of the Financial Relations Commission of 1894-6.
In 1910-11	Ratio of Irish to British taxable capacity, 1 to 24.				
Actual proportion contributed to United Kingdom Revenue:—	between				Report of Financial Relations Commission.
In 1893-4	1 th & 1 th	—	—	—	
In 1910-11	1 th & 1 th	—	—	—	
Mean of 1909-10 and 1910-11					
Amount of "True" Revenue contributed:—	£	£	£	£	Including non-tax revenue.
In 1893-4... ..	7,568,649	—	—	86,286,978	
In 1910-11	9,952,500	17,049,000	138,107,750	155,216,750	
Mean of 1909-10 and 1910-11					
Percentage of Tax Revenue derived from indirect taxation in 1910-11 (mean of two years, 1909-10, 1910-11)	per cent. 70.48	—	—	per cent. 45.21	Licenses included under Excise.
Local Expenditure:—					
In 1893-4	£ 5,602,555	—	£	£ 30,618,586	—
In 1910-11	11,844,500	7,927,000	52,617,000	60,544,000	—
Contribution to Imperial Services:—	£	£	£	£	—
In 1893-4... ..	1,966,094	—	—	58,668,392	—
In 1910-11	nil	9,860,250	87,291,250	96,651,500	—
Mean of two years 1909-10, 1910-11)	deficiency of £1,392,500				

the Irish problem. The separate Irish administration, whatever its origin, is now for good or ill a logical and practical necessity. To abolish it while retaining the Legislative Union would be utterly impossible, if for no other reason, because the statute law in Ireland on matters of the highest administrative importance such as land and education differs as radically from that of Great Britain as from that of Germany or the United States.

Further points of difference have been indicated above; but it may be useful to summarise them and add a few others:—

With these facts before us I suggest that the only possible line of reform is, while retaining the full supremacy of the Crown, on the one hand to justify the existence of the separate Irish administration by bringing it under the control of an Irish Legislature, with full powers over Irish affairs; and on the other hand, to give full recognition to the economic differences between Ireland and Great Britain by abolishing fiscal uniformity and giving the former country real fiscal autonomy similar to that enjoyed by the self-governing Colonies. This would be to follow the natural line of development. Irish Government resembles that of a Crown Colony now, though of a type uniquely bad of its kind, both for the mother and the daughter country. The solution is to place her in the position, broadly speaking, of a self-governing Colony, though without pedantic adherence to any existing model. It may be said that this will not be an ideal outcome of the joint history of two islands separated by only sixty miles. A true Union would no doubt be more ideally desirable, but we have to recognise existing facts, and the facts show that a true Union is simply impracticable, not only on sentimental but on rigidly practical grounds. If we adopt the alternative remedy, let us make it, as common sense demands, drastic and thorough, in proportion to the extent of the evil to be reformed.

Great Britain owes reparation to Ireland, but the debt cannot, and should not, in Ireland's own interest, be paid in money; it can only be paid in kind, and it should be paid in the fullest measure, by the grant, in the completest form feasible, of that national responsibility which the Union has tended and still tends to sap, to the grave detriment of both partners. If it were possible to regard the excessive expenditure on Ireland as a productive investment, likely to restore her to solvency and stability, the case would be otherwise. But far the greater part of the excess is non-productive and has a bad moral effect. Since the change from the almost wholly coercive to the spontaneously philanthropic policy towards Ireland, a change just twenty years

old if we date from 1891—for no great reform prior to that date can be regarded as spontaneous—the improvement in the material condition of Ireland has by an unhappy paradox been accompanied by a subtle decay in the sense of corporate responsibility, a decay not counteracted or counterbalanced by the greater personal and civic independence quite recently evoked by the introduction of peasant ownership through Land Purchase and by the grant of full powers of Local Government. Both reforms require as their corollary a national Legislature. Local Government, indeed, as in all other white countries similarly situated, should rightly have succeeded and not have preceded a national Government. Nor has the decay of national self-reliance been arrested by the growth of healthy private organisations like the Co-operative movement, the Industrial Development Associations, and the Gaelic League. The basis of all these movements is that Ireland is an economic and social entity, and their corollary, too, is a national Legislature. Meanwhile, we have reached a point where the anomaly of uniform taxation coupled with a separate administration can be condoned and excused only by large preferential expenditure on Ireland. And all this preferential expenditure is in one degree or another demoralising. The swollen official bureaucracy and, by a singular irony, even the swollen Police, constitute, as has been said, a gigantic bribe to Ireland to acquiesce in a system which causes so much public money to be spent among her people. A large part, perhaps a half, of the 2½ millions now distributed in old-age pensions must be regarded as another narcotic, and, as I have indicated, the same vicious taint pervades every item of expenditure even in curative agencies excellent in themselves, like the Department of Agriculture and the Congested Districts Board. The mental habit of Ireland is to look outside her own borders for financial doles and grants and completely to dissociate expenditure from revenue. Nationalists themselves inevitably become victims to this habit, though they seek the preventive which is better than any cure. Under the Union they are virtually forced to regard Great Britain at the best as an almsgiver, at the worst as a detected thief who must be made to disgorge.

The only way, I suggest, to restore self-reliance and financial stability in Ireland is to give her full fiscal autonomy; to give her, that is, control over all taxation, including Customs and Excise, which may make up 70·48 per cent. of “true” Irish revenue, and whose retention under Imperial control would cripple the power of Ireland to frame a financial policy.

This solution presented no mechanical difficulty until a few years ago. It could have been carried out with ease in 1886 though Mr. Gladstone abandoned his original view in favour of it. But we should remember that his Bill, if passed, would have been accompanied by a huge and drastic measure of Land Purchase which would have had the same social results as Mr. Wyndham's Act of seventeen years later, without being prejudiced by those changes in the money-market which set in at the precise moment at which that Act became law.

The scheme of fiscal autonomy could also have been carried out at the period of the second Home Rule Bill of 1893. In both cases Ireland had a balance to her credit and a substantial margin for a contribution to Imperial services.

Now, however, we are faced by the deficit of two millions, arrived at, be it clearly understood, by debiting against Ireland *all* Irish expenditure, even the most debatable items, such as the Lord Lieutenant, the Police, the loss on Post Office business in Ireland, the machinery of Land Purchase, and even the bonus to landlords entailed by the law of Purchase, while the revenue calculated for is a *minimum* figure, with full deductions, as made by the Treasury, from the revenue actually collected in Ireland.

I suggest that this initial deficit should be met in the simplest and most straightforward way, namely, by an initial subsidy of equal amount from the Imperial Exchequer, plus a sum sufficient to provide for certain novel expenses attendant upon the introduction of a responsible Government and Legislature, and for an initial credit balance. The subsidy should diminish annually and within a stated number of years terminate altogether. It should, I submit, on no account be earmarked for special purposes, but should be unconditional.

By this means alone, I venture to suggest, will it be possible to secure economical government in Ireland, suitable Irish taxation, energetic national development of Irish resources according to Irish ideas, and in course of time a resumption upon a voluntary or contractual basis, of those Irish contributions to Imperial services which made up such an enormous total in the past, but which constitute such a terrible commentary upon the fiscal and political system which rendered them possible. He who is not blinded to economic facts by the mere proximity of the two islands, and who contrasts the history of Ireland since the Union with that of other dependencies of the Crown, will stand appalled at the spectacle of a little country, with a dwindling population,

governed, against her own consent, virtually as a Crown Colony, and on that account a prey to such frightful social and economic disorders as existed in Ireland during the greater part of the nineteenth century, nevertheless actually contributing an average of no less than three millions a year, which should have been spent, mainly at any rate, on her own development, towards the maintenance of an overseas Empire, while the other portions of this Empire, even those with temperate climates, unlimited natural resources, full self-government, and an unimpeded right to create their own social polity and fiscal system, not only contributed nothing to Imperial defence, but profited by the contributions of their impoverished sister, Ireland. It is altogether fit and natural that a *free* Ireland should contribute to the Imperial defence, and it will have to be a money contribution, because Ireland does not want, cannot afford, and need not be allowed independent armaments. That is the correct and natural result of proximity, and distinguishes her from the Dominions overseas. They do need and are beginning to organise independent forces, which constitute, in fact, their indirect contributions to Imperial defence. But it is idle to attempt to extract from Ireland now, or by a manipulation of figures to make any pretence of extracting, a contribution to Imperial services, or to make statutory provision for a future contribution. We must first bring the subsidy which is actually being paid now to an end, and then see what Ireland can afford.

An essential concomitant of fiscal autonomy is the cessation of Irish representation at Westminster, a change also desirable for the smooth working of Parliamentary institutions in Great Britain. In the case of Imperial affairs which are of moment to both countries, and of any needful standardisation of laws, the method of conference, now so increasingly successful with the Colonies, but in a more regular and efficient form in the case of Ireland, would work better than that of representation.

It is held by many that the heavy British liabilities, present and prospective, for Land Purchase in Ireland, preclude the possibility of fiscal autonomy for Ireland, and make necessary a system under which a portion of Irish revenue can be intercepted by the British Exchequer as security for the due payment by the Irish tenants of those annuities on purchased land which represent interest and sinking fund on the seventy millions of land stock already raised, and on the hundred and twenty millions which may need to be raised in the future. I am unable to see the force of this argument. Under Home Rule the annuities should

become a national obligation of the Irish Government, paid by the tenants, as now, to the Land Commission, which should become a branch of the new Irish administration. In other words, Ireland as a whole would be responsible for the interest and sinking fund of a debt contracted by her, but guaranteed by Great Britain, just as Canada and the Transvaal are responsible for similarly guaranteed loans incurred by them. The continued guarantee on the consolidated fund is an essential in the case of Land Purchase, because it means cheap credit, on which the finance of Purchase depends; but the guarantee exists now, and the question for the future is purely one of security. The good faith of a free Ireland, conscious that a repudiation of a public debt would be ruinous to her own credit, surely need not be doubted. Ireland, I mean, may be counted upon strictly to levy the annuities and to use them for their right purpose. But will the tenants continue willingly to pay them? Why not? Is not the security for their payment in the future greater even than to-day? They are paid to-day to the extent of four millions annually with the regularity of clock-work. Not a penny has been lost since Mr. Gladstone initiated Purchase in 1870. Even arrears are negligible. And that is in an Ireland conscious of gross agrarian oppression in the past and resentful at the persistent denial of her claim for self-government. The same tenants will hardly embarrass and disgrace their own newly-won Government by an organised repudiation of debts now honestly and punctually paid, and paid not under the fear of the Royal Irish Constabulary, but in straightforward recognition of an earnest desire on Great Britain's part to solve the land question which she herself created.

That there are certain difficulties which distinguish this case from that of Colonial guaranteed loans cannot be overlooked. Obviously Great Britain, though her obligation to continue to support Purchase with her credit is a matter of duty and honour, cannot undertake an unconditional and statutory liability to issue a further 3 per cent. guaranteed land stock up to the full amount necessary for the completion of Purchase. She must always possess the right to alter old conditions or impose new ones. She will not continue to lend and cannot be made to do so, unless her conditions are satisfied. Her Ministry will, in the ordinary course, have the last word in all Irish land legislation through the exercise of the Royal Assent, and if, for example, as is not unlikely, universal compulsion became necessary, and Ireland, like Prince Edward Island, passed an Act to that effect, its terms would have to satisfy the British Cabinet just as those of the Prince Edward

Island Legislature in 1875 had to satisfy the Cabinet of the Dominion of Canada, which lent the money for Purchase in that island. It might be desirable, in addition to other conditions, to give Great Britain a permanent right to nominate certain Land and Estate Commissioners, again on the precedent of Prince Edward Island, where the Dominion of Canada nominated one of the three members of the Commission which settled the claims. The main point is that everyone is agreed that Purchase should be completed. That is Ireland's urgent interest and desire, and it is Great Britain's interest that everything should be done in Ireland to hasten the establishment of a sound economic and social order and the return of Ireland to the position of a contributing member of the Imperial partnership. To say the least, no greater difficulty should arise under fiscal Home Rule than under the Union. In all probability there would be far less difficulty.

To maintain the Land Commission and Estates Commission themselves under British control, would, I submit, be altogether out of the question, as involving a general control over land legislation, over the Congested Districts Board, and even perhaps over the Police, which would be altogether inconsistent with responsible government, besides being an encouragement to extravagance, for I must repeat that there is no guarantee of economy in these or any other Irish departments, unless they are paid for by Ireland herself. Finally, under the plan I suggest Great Britain would of course save money, that is, as soon as the initial annual subsidy to the Irish Exchequer began to diminish. She now contributes heavily to the running costs of Purchase, over half a million annually in amount, which includes losses on flotation of stock at a discount and the landlords' bonus. Ireland would at once assume the whole of this cost herself, and it is now, in fact, debited against her in the Treasury accounts.

Customs and Excise.

The crux of the scheme for fiscal autonomy is, no doubt, the concession to Ireland of control over her own Customs and Excise. With the utmost respect to those who hold a contrary view, I venture to regard this concession as an indispensable element in the Home Rule settlement, and for the following reasons:—

(1) Customs and Excise constitute 70·48 per cent. of Irish revenue, but only 45·21 per cent. of British revenue. Owing to the lack of accumulated wealth in Ireland, they must inevitably for a long time be counted upon to produce the bulk of Irish

revenue, as they produce the bulk of the revenue of all small countries similar in economic type. With these great heads of revenue withdrawn from their own control, and controlled, as they have been invariably in the past, in the interests of rich and industrial Great Britain, Irish statesmen could not frame a financial policy, either on the side of expenditure or taxation. Those who regard the Imperial control of Customs and Excise as leading logically to the maintenance of all Imperial taxation in Ireland are probably right. That course would lead to less friction and be scarcely more hampering to Irish financiers. To give Ireland the somewhat barren privilege of imposing new and additional taxes of her own would not materially smooth the problem.

(2) The duties of Customs and Excise are those which most need revision by a responsible Ireland. They fall mainly on necessities and luxuries of the poor, and they are the main source of what the Royal Commission described as the excessive and unsuitable taxation of Ireland, but to vary them without the elasticity given by complete control over the Irish Budget would be very difficult. It might, for example, be wise statesmanship to reduce the rate of old-age pensions in Ireland, offering partial compensation by a simultaneous reduction of duties on necessities. Ireland ought to have the power to do that among other things.

Lord MacDonnell's suggestion, to give Ireland the Manx power to reduce Customs duties with the subsequent sanction of the Imperial Parliament, seems to be admirable so far as it goes. But why stop there? The Isle of Man is a totally different case. It has not Irish history, or Irish problems, and if that tiny little island, whose finance presents little or no difficulty, possesses a considerable measure of freedom over Customs (as well, be it noted, as complete freedom over all other taxation), it would seem to follow that Ireland, with her history, her urgent and difficult problems, and most imperative need for the sense of full responsibility in all matters, especially in finance, should have unfettered power over the most important portion of her revenue; power, not merely to reduce duties, under Imperial supervision, but to elevate, abolish, or create them.

(3) With regard to a possible protective policy on Ireland's part, or a policy even of a non-protective general tariff, we should take our stand on the fundamental principle that Ireland, so long as the supremacy of the Crown is not infringed, should be allowed in all domestic matters to do what she thinks best for

her own interests. It is not only the duty, but the interest, of Great Britain to permit her that freedom. Compulsion has cursed the relationship of the two countries too long. Retained in any form it will defeat the objects of Home Rule. It may, indeed, as Lord MacDonnell suggests, be against Ireland's true interest to initiate a protective policy, but I venture to differ when he says that it is against her interest to have the *legal power* to initiate a protective policy.

Since 80 per cent. of Irish external trade is with Great Britain, and must remain so, obviously it is of supreme importance to Ireland to do nothing which can hinder that trade or make her commercial relations with England less friendly. That fact is the best guarantee for the future.

(4) In the matter of Customs, it is worth while to remark the great significance of Ireland's insular position. Historically, this has tended to accentuate the distinct individuality of Ireland, even after her forcible colonisation, in all matters, whether of language, custom, religion, or economic structure. But in this particular matter it is interesting to note that adjacent islands are not necessarily included among the Federal systems of the white races (which all maintain Federal control over Customs). Newfoundland stands out of the Canadian Federation, and New Zealand out of the Commonwealth, though both may be said to be identical in economic structure, as in race, with their federated neighbours. There could not conceivably be any question of including either against her will in the Federal Union, and the situation leads to no friction. Moreover, islands which are so included, namely, Nova Scotia, Prince Edward Island, and Tasmania, had had, like all the constituent provinces of all federations, a long prior period of fiscal autonomy, part of which they deliberately relinquished to a new central body of their own choosing. That would be the correct line of development in the case of Ireland, which imperatively needs a period of fiscal isolation in which to achieve self-reliance after a disastrously long period, first of sheer coercion, then of paternalism.

It should be added that the compulsory Customs Union of Ireland and Great Britain, like the Legislative Union, was brought about under circumstances which lend it no worthy sanction either of expediency or sentiment.

(5) The financial and the political reasons for Irish control of Customs coincide. It immensely simplifies the constitutional problem by making Irish representation at Westminster unnecessary. If Customs (and therefore Excise) remain Imperial, Irish

representation there, on a scale fully up to population, will be indispensable, and we shall meet with the numerous and insoluble difficulties inseparable from a hybrid, quasi-Federal Parliament of a type never before seen in the Empire. There is no question as yet of a true Federation of the United Kingdom, and the attempt to introduce a Federal element into a unitary Constitution would be productive of great friction and dislocation.

I conclude this paper with a further expression of the idea outlined in the previous paragraphs. A complete form of financial Home Rule now is a condition precedent to a future Federation or true organic Union of the British Isles. In the purely financial aspect, sentiment and all other factors apart, Scotland, which now contributes to the Imperial services £9,334,750 over and above local expenditure, that is, 9·67 of the total, is ripe for a Federation. Her history, too, accords with such a development. She was never conquered, colonised, and reduced to serfdom, like Ireland. At the time of her Union with England in 1707 the colonisation of Ireland had recently been consummated; the last touches had just been given to the Penal Code, and the destruction of the principal Irish industries had been effected. The Scottish Union was voluntary, it led immediately to a mutual free trade, to a great expansion of trade and industry, and eventually to friendly relations of every sort. It involved, and still involves, a limited degree of separate Scottish administration, for example in Law, Education, and Local Government; but the uniform fiscal system works both fairly and suitably, and in the matter of legislation the moral and political conditions were such that until quite recent times Scottish opinion substantially governed Scottish affairs, and the desire for a separate Legislature was not expressed. That desire will grow or diminish precisely to the extent that Scottish influence over Scottish affairs is checked or facilitated.

The Irish Union of 1800 was involuntary and succeeded a century of oppressive colonial government which had reduced Ireland to economic prostration, and, so far from being a true Union, it perpetuated under now forms the vices of the old colonial system.

In the purely financial sense (and I do not speak of other aspects), Wales also is probably ripe for Federation, though the necessary figures are lacking; and certainly England, which, together with Wales, contributes £87,237,000, or 90·33 per cent., of common Imperial expenses. But Ireland is in no sense, least of all financially, ready for inclusion in a Federation; for it is

the essence of every Federation that its constituent members should be solvent contributors to the common stock. Weak members may, indeed, receive exceptional treatment, as Western Australia, Nova Scotia, and Prince Edward Island, but all pay a substantial balance.

But whether or no we contemplate a Federation, it is of urgent importance to take the financial and political steps I have ventured to indicate in order to secure stability and vitality in Ireland.

THE ELEMENTS OF IRISH FINANCE

BY FRANK MACDERMOT.

1. *Fiscal Home Rule.*

THE "eleemosynary benefits" which Ireland at present enjoys are perhaps not so great as they seem. It has to be remembered that Ireland is the one portion of the United Kingdom which gets no compensation for the augmentation of expenditure on armaments in the form of orders for battleships, ammunition, rifles, uniforms; and this circumstance is certainly relevant when you come to estimate the extent of Treasury generosity. Moreover, the benefits, such as they are, are qualified by some not inconsiderable disadvantages. It is unnecessary to enlarge on the admitted distinctiveness of Irish economic conditions, but, to be fair, we must constantly bear it in mind. *This distinctiveness is obviously outraged by a system of indiscriminate taxation and indiscriminate economic legislation.* In framing Budgets, it is not pretended that Chancellors of the Exchequer attend to Irish conditions. The result is seen in the anomalous state of Irish revenue, with its extraordinary disproportion between the produce of direct and indirect taxes, to the detriment of the poorest classes; in the very great and genuine apprehension with which every Budget is awaited; and in the light-hearted way in which struggling Irish industries are taxed almost out of existence in pursuit of British ideas of Social Reform. The future holds even greater dangers in store, now that Finance is being accepted as the normal instrument for stimulating trade, uplifting the masses, and generally regulating if not reorganising Society. Especially when a scientific tariff comes to be devised, Ireland will be exposed to serious peril. I question whether, with the best will in the world, a British Tariff Reform Government could satisfy its supporters without sacrificing Ireland. Any tariff hitherto suggested would have brought her near to ruin. The upshot is that Irishmen must look upon economic solidarity with Great Britain

as in itself an undesirable thing, whether it be manifested in indiscriminate taxes, indiscriminate industrial legislation, or indiscriminate strikes introducing, as we saw last September, into our fortunately unfavourable atmosphere the poisonous bacillus of labour unrest.

It is not apparent, on the other hand, that the solidarity in question is any particular advantage to Great Britain, so that she should buy it by the bestowal of "eleemosynary benefits." In the course of her economic legislation she suffers some inconvenience from Irish querulousness, and the permanent suppression of Ireland's economic development accelerates the stream of gold flowing into that country from the coffers of the British Exchequer. No doubt a conflict of commercial policies or a war of tariffs between the two adjoining islands would be an evil, but such would not be the natural consequences of fiscal separation. There can, even between neighbours, be differentiation without conflict, as, limiting our researches to the British Empire, we have seen in the cases of Australia and New Zealand, Canada and Newfoundland, and actually of England and Ireland during the epoch of Grattan's Parliament. So long as Ireland looks to England to buy her cattle and dairy produce, and England looks to Ireland to buy her manufactures, there would seem to be little fear of harmony being disturbed. It would be a great gain to both countries if the arrangement under which Ireland is consoled, and only inadequately consoled, for unsuitable economic legislation by gifts of money were replaced by one under which each country could legislate independently with an eye at once to its own needs and to amicable relations with its neighbour.

The change, however, involves political consequences which many people are scarcely prepared for. It means not only Home Rule, but Home Rule of the colonial type, the only constitutional links between Great Britain and Ireland being the veto of the Crown, the continued British control of all armed forces in Ireland, and the medium of communication supplied by the Imperial Conference. My own belief is that this sort of Home Rule would be the most popular with the masses of the people in this country, especially in its exclusion of Irish representatives from the Westminster Parliament, but the Federalist prepossessions of professional politicians may prevent its adoption. Nevertheless, it is this sort of Home Rule, and this alone, which is powerfully supported by financial considerations.

Its merits are not diminished by the apparent necessity for a temporary British subsidy. If such a subsidy is required, it is far

better for it to be open and above-board than to be covered up by unconvincing distinctions between local and Imperial obligations. Ireland will be much more eager to rid herself as soon as possible of the reproach of mendicancy if it is open and palpable. As for the person who pays the piper having a right to call the tune, the answer is this. The subsidy is made necessary by the extravagant system of government which Great Britain has seen fit to set up. Until that establishment has been cut down, it will be in reality Great Britain and not Ireland that is morally responsible for the payment of the piper. For Great Britain to make Ireland's manufactured insolvency a pretext for retaining the power to fix Irish taxes would be both irrelevant and unfair.

Neither does the operation of Land Purchase supply any real objection to fiscal autonomy. Very misleading language is constantly used in this connection. There ought surely to be no hesitation in admitting that so long as the British Treasury has a prior lien on Irish revenue (in case of default by the tenant-purchasers in the payment of their instalments), it is quite immaterial by what particular taxes that revenue is raised or by what authority those taxes are imposed. Such a lien it would seem possible enough to secure, as in the 1886 Home Rule Bill, by appointing an Imperial Receiver-General, through whose hands all Irish revenue would pass, and who would deduct any moneys due to Great Britain before paying the balance into the Irish Exchequer. Additional security is afforded by the British subsidy, so long as that continues. Finally, you have to recollect that up to now the tenant-purchasers have been paying with edifying regularity, and that it would be in the manifest interests of an Irish Government to encourage this course of action. In fact, Nationalist politicians are already beginning to regard this new class of landowners as the spoilt children of the national movement, and are much more inclined to increase than to diminish their obligations. It can be safely said that whatever risk there may be of default would be greater after the rejection than after the passing of a Home Rule Bill.

There is, therefore, no financial reason for refusing to consider on its merits the question whether the economic advantages of making Ireland a separate fiscal unit would outweigh the disadvantages. The inconveniences of a Customs cordon as between Great Britain and Ireland would no doubt be considerable, but they might be reduced by restricting the passage of trade between the two countries to specified ports. In any case, Great Britain has cheerfully faced far worse obstacles to commerce and far worse

administrative difficulties when contemplating Tariff Reform. Nor would the concession of fiscal autonomy to Ireland reduce her to "rags and beggary." Quite the contrary. Apart from considerations already stated, it would appear that in winding up her partnership with Great Britain, inaugurated in 1801 and modified in 1812, Ireland is entitled to take an account of past over-taxation which she could not properly or relevantly call for if that partnership were to continue on terms increasingly favourable to herself. The notion that if she preserves the framework of the Union she will be justified in making more exorbitant demands for money than she otherwise would is surely a curious inversion of the reasonable way to look at the matter. And as to the effects of scientific management by Irishmen of Irish finances, the prodigious achievements of Grattan's Parliament furnish an eloquent object lesson. It would be rash to attempt a prophecy as to the course of Irish financial policy, but such possibilities as the reduction of tea, sugar, tobacco, and whiskey duties, the spreading wider of the net of the income tax, the imposition of a general land tax, and the encouragement of Ireland's foreign trade with the aid of commercial treaties, suggest themselves to the speculating mind, though innovation would certainly proceed on very cautious lines. There is probably greater danger of novelty if Irish finances continue to be controlled by the Westminster Parliament. It is not either to Mr. Lloyd George or to Mr. Austen Chamberlain that Irish commerce can look for safety from alarming experiments.

2. *Truncated Home Rule.*

There are, however, advocates of Irish Home Rule who wish to carry through their programme with the least possible disturbance of existing financial arrangements. *Such persons are Home Rulers on grounds unconnected with finance*, and whether or not they could achieve the political results they desire, without obtaining for Ireland the control of her own taxes, is a matter into which we are not concerned to enter. Some of them are simply not interested in finance, and others are influenced by a sentimental attachment to an artificial economic solidarity between the democracies of Great Britain and Ireland, driven, I fear, in pursuit of that "will o' the wisp" by the illusions of either Federalist or of democratic and cosmopolitan sentiment.

They propose that all existing Irish taxes be imposed as at present, and that the Irish Parliament have a power of subsidiary

taxation, but not so as to impinge on the sources of Imperial revenue. This power should never need to be exercised, even if Home Rulers' expectations of retrenchment were falsified, because Ireland is to continue to get increasing dividends from this country on the strength of her title to share in the growing prosperity of Great Britain. Great Britain is not to confine her beneficence to helping Ireland to make ends meet, but, quite apart from this, is to hand her over a proportion of Imperial revenue without inquiring whether her expenses demand it. Apart from the extravagance of their demands on the purse of the predominant partner, the main feature of these proposals is their tendency to accentuate that profligacy in public finance which is characteristic of Irish government under the Union, and to put Irish ministries in possession of immense spending powers unbalanced by any responsibility for finding ways and means. Whoever views these consequences with satisfaction, it cannot be the patriotic Irishman who is anxious to strengthen the moral fibre of the Irish character. Of course, if Ireland is to be compelled to accept future British measures of social reform, irrespective of their appropriateness to her conditions, the real spending powers of the Irish ministers might be very much less than they seemed. But will the hardest advocate of "solidarity" venture so to curtail the domain of legislation open to the Irish Parliament? As to economy, where is there room for it in such a settlement, with the Irish Ministry unable to lower taxes? A remarkable suggestion is made in the current *Nineteenth Century* for putting Ireland in a position to lower her Customs duties, while withholding from her fiscal autonomy. But even if the method suggested were found possible to inaugurate, how about the difficulties that would subsequently arise from the exportation, say, of cheap jam and cigarettes from Ireland into England after Ireland had reduced her taxes on sugar and tobacco? One had thought that the objection to fiscal autonomy rested on just such inconveniences as these.

Unsatisfactory, however, as are proposals of this type, I agree with Lord MacDonnell that they are the only logical alternative to fiscal autonomy. The power of fixing Irish taxes must belong either to the British or to the Irish Parliament—it cannot be divided between them. The one thing that cannot be tolerated is a conflict between British and Irish financial policies within the boundaries of Ireland itself, and such a conflict seems to be inevitable if any substantial body of revenue—even 20 per cent.—is handed over to Irish control and the rest retained. A separation of direct from indirect taxation simply will not

work. No doubt we find examples of it in various Federations, but in a normal Federation the financial policy of the central government is the resultant of the policies of the State governments, not something quite alien to them. In the case of Ireland and Great Britain, you would have a small country hopelessly combating the policy of an all-powerful neighbour, a policy devised solely in the interests of the latter. If Ireland could obtain control of 50 per cent. of her taxes, there might be something to be said for taking the risk, but there can of course be no question of this while Customs and Excise duties are withheld. The initial advantage from the point of view of national dignity would soon disappear when the lamentable position of an Irish Chancellor of the Exchequer, constantly seeing his calculations upset and his finances disorganised by British Budgets, came to be manifest. It is to be hoped, therefore, that, in framing their Home Rule Bill, the Government have boldly renounced Gladstonian precedents and taken warning by the strictures to which the financial arrangements of 1886 and 1893 were only too justifiably subjected in debate.

3. *Some Pitfalls.*

I do not agree with the common assumption that Home Rule has been made more difficult by the appearance of a deficit. Some of the worst of the difficulties Gladstone had to meet arose out of a precisely opposite state of things. The method by which Ireland should make her *contribution* for Imperial purposes was a matter of endless controversy. This time it is a question not of a contribution from Ireland, but of a *subsidy* to Ireland, and of the two it is much the more easily arranged. Ireland is not in a position to be as meticulous as Great Britain showed herself on that occasion, and will not ask or obtain other security for the money than the good faith of the British people. Nevertheless, both the amount and the character of this subsidy are matters that demand consideration. As for the former, I am clear that if the Home Rule Bill concedes genuine autonomy, the amount at the start should be no more and no less than the subsidy which Great Britain is in effect giving to Ireland at the present moment. The object ought to be, without increasing the burden on the British taxpayer, to enable the first Irish Governments to make ends meet. As for the character of the subsidy, it must, in the first place, be terminable. It ought to be clearly understood that, Home Rule once granted, Great Britain does not acknowledge any

logical obligation in respect of any permanent item of Irish expenditure. But should the subsidy be a direct grant of money or an assumption of responsibility for certain special expenses? The objection to the former is the possibility of future demands for an increase of the subsidy. The objection to the latter is that it involves continued British interference in Irish affairs. This subject deserves more general attention than it has received.

One perplexing problem the Government may have to solve is the amount of Ireland's "true" revenue. The first necessity would be to obtain an accurate record of the movement of fifty or sixty dutiable articles between Great Britain and Ireland. In order to get this, Customs duties on articles coming into Ireland from Great Britain would have to be collected at Irish ports, or else traders would have to be compelled to make returns. In either case, there would arise much inconvenience, which I should have thought would only be justified by a system of fiscal autonomy. And after you had got your record of the movement of dutiable articles, there is still the question of income tax and stamp duties really paid by Ireland and credited to England under the present system. I cannot but think that the most equitable and convenient course in any system short of fiscal autonomy would be to credit Ireland with her revenue as collected. The theory that a country pays the whole of the taxes on the articles it consumes will hardly bear examination. Supposing none of the whiskey and stout manufactured in Ireland were consumed in that country, could it be seriously contended that Ireland paid none of the taxes thereon?

The Government will deal a blow to clear thinking if they attempt to differentiate between the power of raising money for local and for Imperial expenditure. Even were it not transparent humbug to label Irish National Insurance or Old-Age Pensions as "Imperial" purposes, there is no rational ground whatsoever why money spent on Imperial purposes should be raised by the British rather than the Irish Parliament. All money raised in Ireland, for whatever purpose, ought to be raised under one system, by taxes imposed by one authority. The fact that certain money was to be spent on Imperial purposes would be no argument against fiscal autonomy, any more than the fact that certain money was to be spent on local purposes would be in itself an argument against complete fiscal unity. To hold otherwise would be to hold that no self-governing Dominion could properly contribute to the defence of the Empire without at the same time surrendering some of its tax-imposing powers. The Government will make

a great mistake if they allow themselves to be distracted from the plain choice between fiscal autonomy and complete uniformity of taxation by false analogies and puzzle-headed Federalist ideas.

As for the British electorate, I fancy they will be well pleased with any financial arrangements which enable them to cut their losses on Ireland or give them the prospect of doing so. But I feel little doubt that fiscal autonomy is the system they would most readily assent to, and I see in the retention of Irish Members at Westminster, with power to vote on subjects that do not concern them at all, and to decide the fate of British Governments, "a fertile source of misapprehension, friction, and estrangement" highly dangerous to the stability of the new constitution.

IRISH FINANCE

BY PROFESSOR T. M. KETTLE.

WHEN my friend Professor Oldham discussed Irish Public Finance in an able paper before the British Association last year, he was charged with what is called "introducing politics." He was held to have profaned the austere sanctuary of economic science. I am sorry that the example should be regarded as bad for I fear that it is irresistible. Any other course would be contrary to the nature of things. *The public finance of every country is literally steeped in its history and politics, and to disregard these elements is to make discussion unreal.* The Budget of 1909, to take any chance instance, was an exercise in public finance; so at least, from one point of view, is the Protectionist programme; but both controversies have been fought, and are being fought, on party lines. Assuredly nobody has counted it good ground of censure against an economist that he has introduced politics into his consideration of either of these great questions. Similarly, it appears to me to be an idle affectation to enter on an analysis of the national accounts of Ireland, purporting to ignore altogether the political factor.

At the same time it is to be noted that, apart altogether from any proposed changes in Irish government, the present condition of Irish finance would have compelled attention. It would have imposed itself on statesmen even if Home Rule were not on the stocks. The reason is painfully simple: bankruptcy always makes a noise in the world, and the Treasury papers represent Ireland as a bankrupt country. The two sides of the Irish account do not appear to balance. This is a disturbing fact of a new order, and it has not, as a stranger, been given any very cordial welcome. Prior to the Old Age Pensions Act Irish revenue paid for every branch of government, good and bad, in Ireland, and left a surplus for Imperial purposes. This surplus half a century ago exceeded £5,000,000; during the South

African War it rose as high as £2,852,000 in a single year, and for the period 1900 to 1908 it averaged more than £2,000,000 per annum. All that is now changed. Old Age Pensions in Ireland involve an annual charge which now stands at £2,408,000, and there has also been an increase of expenditure on the Land Commission, the Congested Districts Board, and education. As a result the Imperial surplus has disappeared, and has been replaced by a substantial deficit in the purely Irish account. The actual figures given by the Treasury for the two-year period 1909-11 are the following :—

Irish Revenue	£19,861,500
Irish Expenditure	22,057,000
Deficit	<u>£2,195,500</u>

In 1910-11 local expenditure in Ireland was £11,344,500, her revenue under normal conditions of collection approximately £10,000,000, leaving a deficit of about £1,300,000. I confess to an inability to understand the pained surprise with which this new development of Irish finance has been received. Nobody can plead that he was not sufficiently warned. We have all watched the revolutions of the wheel for the last fifteen or twenty years : it has swung full circle, and if the cup is now, as we say in that form of poetic prose known as the Irish bull, brimming with emptiness, this is but the inevitable last turn of an obvious process.

The whole basis of Irish public finance is unsound and unnatural. In the normal case revenue and expenditure are the two arms of a balance which must be kept in equilibrium under menace of national collapse. In Ireland, since the financial Union of 1817, there has been no need to establish any definite correlation between incomings and outgoings.

Curiously enough, so long as this arrangement showed a surplus on the Imperial side, so long—if the language is not provocative—as the Act of Union yielded a substantial dividend to the predominant partner, it was accepted by British statesmen without any searchings of conscience. It was only when the boot was apparently transferred to the other leg that the present hubbub arose. The current condition of affairs is a sort of paradox in action. On the one hand, Ireland is taxed greatly beyond her taxable capacity ; on the other, she is not taxed heavily enough to support her administrative establishment. Great Britain, for her part, achieves the marvel of being at once an extortioner and a benefactor.

For a clue to these anomalies we must turn to history, the only passable avenue of approach to any contemporary problem. We need summarise only the salient facts. The Union, as is known, set up, for the first period of its operation, a quota system, which, in the words of the Childers Commission, "imposed upon Ireland a burden which, as events showed, she was unable to bear." Lord Castlereagh is said to have been an honest man. That is a question which at this date concerns only himself, and which may be passed by. But it is relevant to observe that some of his contemporaries took exception to his mathematics, and foretold with laudable bluntness the all but certain fruits of his policy. Mr. Speaker Foster, for instance, contributed to the Union debates a diagnosis and prognosis well worth recalling :—

"But the noble lord," said Foster, "has told us the real motives of this scheme of Union, and I thank him for stating them so fairly. Ireland, he says, must contribute to every war, and the Minister won't trust to interest, affection, or connection for guiding her conduct. *He must have her purse within his own grasp.* While three hundred men hold it in Ireland he cannot put his hand into it, they are out of his reach, but let a hundred of you carry it over and lay it at his feet, and then he will have full and uncontrolled power."

What is, in any case, beyond dispute is that Lord Castlereagh, in estimating the wealth and taxable capacity of Ireland, took grossly fallacious tests, applied to an abnormal period. His quota arrangement broke down utterly under the strain of the Napoleonic Wars. In 1817 a financial union was effected in accordance with the letter, though not with the promise, of the Act of Union. Different taxes and tax-levels were, however, retained in the two countries, until, mainly under Mr. Gladstone between 1853 and 1860, all taxes, with a few trivial exceptions, were equalised. Now the "deficit" is a direct fruit of this unitary system. It has by the logic of its own nature produced two results which, at the first glance, appear to rule each other out, and to be incapable of co-existence, over-taxation and a shortage of revenue. These two phenomena leaf out of the same stem. The moment you decide that Ireland is no longer to exist as a separate entity for fiscal purposes, but that her finances are to be thrown into hotchpot with those of a far richer country, you lose all guarantee of the justice of taxation and of the equilibrium of public accounts. If I am forced into partnership with a much wealthier man who insists that whenever he acquires a

motor car, or a villa at Nice, or a box at the opera I shall do likewise, I am at one and the same time cheated out of the reasonable enjoyment of my moderate income, and compelled to choose between bankruptcy and bounty. That is roughly the present situation as between Ireland and Great Britain.

The feature of the "deficit" most sinister and worthy of condemnation, is not that it has appeared, but that it has appeared too late. Had the terms of the Union been scrupulously observed it should have appeared in the first year in which a unitary system of taxation came into being, that is to say, in 1818, and not in 1909. This statement will, no doubt, also seem paradoxical, but the blame for that lies, not at our door, but at that of the authors of the Union settlement. They invited Ireland to sacrifice her legislative independence to what was deemed to be a policy of wider scope, and they promised in return a fructifying inflow of private capital and public subventions from Great Britain. To the common purse created by their scheme each country was to contribute according to its ability; from it each was to receive according to its needs. Ireland, declared Lord Castlereagh, had "the utmost possible security," this security being the honour of Great Britain, that she could not "be taxed beyond the measure of her comparative ability, and that the ratio of her contributions must ever correspond with her relative wealth and prosperity." Now I am not going to suggest that the honour of Great Britain proved unequal to the strain imposed on it. It seems to me that a great part of the difficulty experienced by English public opinion in grasping the Irish point of view on over-taxation springs from a very human fact. The contemporary Englishman thinks that he is accused of planned, deliberate extortion, and he knows that in the chamber of his own conscience he can acquit himself of any such design. And so the whole case seems to crumble away into mere rhetorical dust. But such a defence goes wide of the whole issue. The facts which are the subject of complaint are simply the automatic results of an unnatural system. The true villain of the piece is not this or that Chancellor of the Exchequer; it is not anybody at all, but an abstract principle, administrative uniformity. Ireland was to have been taxed in proportion to her taxable capacity. But the observance of that condition would have necessitated a year-to-year inquiry of a difficult character. In order to frame the Irish schedule of taxation, Parliament would have been obliged to set up something in the nature of a permanent Financial Relations' Commission. What happened must

in such a situation always happen : convenience prevailed over conscience. Administrative uniformity inevitably prevailed over what English statesmen grew to regard as the mere refinements of an ancient and exhausted statute. Since the equalisation of taxes by Gladstone and Disraeli, no attempt, however perfunctory, has been made to tax Ireland in proportion to her taxable capacity. Chancellors have budgeted for British needs and British conditions, dragged the net of taxation so devised through Ireland, and been more or less thankful for the catch. The radical defect of this system of Public Finance is manifest. It consists in this : Ireland does not stand on her own feet. Ireland does not revolve about her own axis. Since she is not permitted to function as a separate financial entity, there is no reason whatever why, considered as a separate financial entity, she should exhibit either equilibrium or equity in her public accounts.

I have said that the plan of applying like laws to countries which are in so many respects unlike has produced two results, apparently contradictory. Let us first deal with over-taxation. The Childers Commission of 1894-1896 did not, as is sometimes supposed, raise this question for the first time, though it may fairly be said to have settled it for all time. If you examine the records, you will find an uninterrupted stream of complaint from Ireland all through the nineteenth century. A Select Committee sat on the question in 1864, but bore little fruit except Wm. Chisholm's remarkable memorandum. But the Financial Relations Commission is to be regarded as the fountain-head of contemporary opinion on the subject. The Report signed by eleven of the thirteen Commissioners is well known. You will permit me to quote two of the findings which appear to me to summarise the permanent and still unchanged factors of the situation :

(1) That Great Britain and Ireland must, for the purpose of this inquiry, be considered as separate entities.

If the Commissioners had added that, for the purpose of any stable and healthy system of Public Finance, the two countries must function as separate entities, they would have named the cure as well as the disease.

(2) That identity of rates of taxation does not necessarily involve equality of burden.

As to the actual state of things, they found that Ireland was taxed greatly in excess of her taxable capacity.

In the particular year 1893-4, for example, while her tax

and revenue was 8·33 per cent. of that of the whole United Kingdom, her capacity was not estimated by any of the Commissioners as more than 4·76 per cent., and many of them put it much lower.

We may, tentatively at least, bring these figures down to date, and indicate their significance in the economy of Ireland since 1800. What is the present taxable capacity of Ireland as compared with that of the whole United Kingdom? I observe that Wm. Edgar Grammond, writing in the October *Nineteenth Century*, calculates that it is 6·13 per cent. But in order to arrive at this result he gives population, external trade, and a volunteer estimate of national income the same importance as the vital tests of income-tax assessments, and the capital value of estates coming under estate duty. Population is obviously illusory; one can imagine the singular conclusions to which such a test would lead in the study of, say, India or China. But a word of comment is due to the Export and Import returns. These returns are being employed, despite all the lessons that we have learned during the tariff controversy, to give a grossly exaggerated view of advancing prosperity in Ireland. We are told that if they had been available in 1894, the verdict of the Financial Relations Commission would have been of a wholly different character. It is, therefore, not inappropriate to recall the sentence in which Wm. Childers considered the validity of such statistics for the purpose of his inquiry:

“We think, however, that even if it were possible to ascertain exactly the ratio which the exports and imports of Ireland bear to those of Great Britain, no satisfactory conclusion could be founded thereon as to the relative taxable resources of the two countries.”

He proceeds to demonstrate this proposition on lines now very familiar, and concludes that the figures in question “would not afford a leading or, even, perhaps a fairly good test” of relative taxable capacity.

Taking the more obvious and defensible criterion provided by the income-tax and death-duty returns, I should think that the present taxable capacity of Ireland is about 4 per cent. of that of the whole United Kingdom. Her total contribution was, for 1909-11, 6·01 per cent.

The effect of such a withdrawal of capital from industry, of an economic drain of such dimensions, cannot well be exaggerated. The capital accumulations of the drain, no regard being had to interest, ranges somewhere between £200,000,000 and

£400,000,000, according as the highest or the lowest estimate of our taxable capacity be taken. We may approach the matter from another side. The Treasury supplied to the Childers Commission a set of retrospective tables showing for each decadal year the revenue and the local expenditure of Ireland. From these and later documents it appears that under the Union Ireland had down to 1909 paid for the whole cost of her internal government, and had contributed over and above to Imperial purposes a sum of approximately £330,000,000, truly described by Lord MacDonnell as "An Empire's ransom." This Imperial levy was exacted from her in complete indifference to her economic condition at any given time. During the terrible year of the Great Famine, for example, she contributed automatically to the Empire out of her starvation and misery no less than £2,600,000.

One feels oneself in an atmosphere of almost diabolical irony in reading how Sir Robert Peel was praised for his generosity in spending £100,000 on the purchase of Indian meal, and how charitable London organised subscription dances for the relief of the pauper country from which so substantial a subvention was being exacted.

It is unnecessary to say that the verdict of the Financial Relations Commission was challenged, for it is the lamentable fate of all Irish questions to be the sport of British political parties. The objections then urged, and urged to-day in some quarters, call for little attention. The controversy is really settled. It is unreal to say that the unit of comparison ought to be not the country but the individual: the Act of Union, by preserving the corporate existence of Ireland, rules that contention out. It is unreal to say that the *per capita* taxation of Ireland is less than that of Great Britain, while ignoring their relative *per capita* wealth and incomes. It is, to say the least, disingenuous to stress the undenied fact that the figures which have been maintained are conjectural. That is not the fault of Ireland, for it was not Ireland that had the duty of acting as accountant. No private litigant is allowed to plead his own default in his own defence, and in this international affair also the principle applies. But I confess that the critics do seem to me to touch life and reality when they urge that it is, all things considered, impossible to establish any satisfactory comparison between countries so dissimilar in social habits as Ireland and England. We agree. You have the same pretence of science, and the same missing of the solid, human points that you find in the Tariff trippers'—I include both

Manchester and Birmingham in the observation—reduction of France to terms of Germany, of Germany to terms of England. They remind one of Plutarch's Lives, of those forced and fruitless parallels which he elaborates between pairs of great men of wholly different types and different times. But that seems to me to be a strange argument for fiscal Union. It impresses me rather as one of the many, the very many, reasons why Ireland ought to exist and function as a separate fiscal entity. If we perceive that oil and water cannot mix, we ought to be wise enough to accept the situation.

We come now to the "deficit." The connection between the two phenomena is very intimate. Nothing has so much helped to bring the "deficit" into existence as the Childers Commission Report. Whatever finical exceptions were taken to it, it left all political England with an abraded conscience. There was a general feeling—I hope my friend Mr. Erskine Childers will forgive the word—that some sort of restitution must be made to Ireland. The problem of the rural slums on the western seaboard became pressing, not because one of the periodic, minor famines visited these desolate districts, but because somebody in authority noticed the fact. The Land Question throughout the whole country took on a fresh urgency. The question of agricultural education and organisation was raised by Sir Horace Plunkett, and accepted by Mr. Redmond, Mr. Balfour, and the Recess Committee. All these matters were, on their own merits, pressing, and, if you will, irresistible. But the realisation of the schemes proposed was notably forwarded by what was called the set-off argument. If only you spent enough money in Ireland on anything, good or bad, it was argued that you had got rid of the over-taxation grievance. The contention is, of course, unsound. If you are charged with getting money by theft, it is no answer to say that you have spent it in profligacy. If you impoverish a country by unjust taxation, you do not clear your conscience by unconsidered expenditure. You have in operation in Ireland at this moment a system of State Socialism to which it would not be easy to find a parallel. An Ireland, controlling and administering her own national finances, might have thought twice before doing many things that have been done. But Ireland, in fact, got no choice. It was a lean time. Most of the things she valued seemed to have been swallowed up in the swirl of a triumphant backwash. You had to deal with a country which, denied the rights of financial autonomy, had no motive for accepting the responsibilities. In these circumstances it is

not to be wondered at that Ireland took the cash and, perhaps, let some part of her credit go. Increased expenditure, or new expenditure, on the Land Commission, the Congested Districts Board, the Department of Agriculture, the Estates Commission, was not accompanied by any serious economies on the old establishments. Then, to crown everything, came the new social legislation. The angry amazement with which the Old Age Pension figures for Ireland were received in this country really filled me with despair. One would have thought that the paradoxical history of population in Ireland was moderately well known. In England or Scotland, under a 70-year scheme, a present community of 100 is paying pensions to the remnant of a community of 50; in Ireland a present community of 50 is paying pensions to the remnant of a community of 100. Further, it is to be added that the Old Age Pensions Act is so ill-adjusted to rural conditions in Ireland, that many persons who do not need pensions are entitled legally and without fraud to obtain them. To make a long story short, the process of "ameliorative legislation"—the phrase, I think, dates from about 1870—received an enormous impetus from the Financial Relations Report, an added impetus from what is called the triumph of democracy, and one of its results is this famous "deficit."

Now that we have it, what are we to do with it? The answer to that question determines the future of Irish Public Finance. At this stage it seems advisable to draw attention to two points. First, unless the Act of Union is to be deliberately ignored, there can be no talk of a "deficit" in the Irish accounts. There is no Irish expenditure; there is only common expenditure; the same holds true of revenue; and so long as the United Kingdom firm shows a surplus, neither of the partners is legally open to any imputation of bankruptcy. Secondly, if we do ignore the Act of Union, and found ourselves on natural facts—as everybody, Liberal, Conservative, Nationalist, and Orangeman does in these discussions—then it is to be remembered that there is no trustworthy account of the state of Irish public accounts available. The Treasury papers are out of date, and merely speculative. They under-estimate Irish Revenue by something between £225,000 and £400,000 per annum. In classifying branches of the public service as "Irish Expenditure," they are a long-drawn sophistication of which any great department ought to be ashamed. We do not, in brief, know where we are. Still, these are our only sources of information. We may assume that expenditure in Ireland—I deliberately refrain from saying Irish

Expenditure—has overtaken revenue in that country. What is to be done about it?

The proposals of those of us who believe that the whole basis of Irish national finance must be altered have already been labelled for public consideration; there is no need to recount them in detail. What I hope to learn at this Congress is, what do the other people propose? Is the Union to be at last accepted in its spirit, and is Great Britain, on their scheme, to pay Ireland an annual subsidy *in saecula saeculorum*? Are the "eleemosynary benefits," to which a distinguished Conservative politician has bidden us heed, to be regarded as well secured? If not, what is to happen?

We are all anxious to know what is to be the future of Irish Public Finance according to the plans and prophecies of those who desire to retain its present basis: I hope that we shall not go away from this Congress defeated of our expectations.

The remedy which we propose is that Ireland should put on herself. We want her to be at once allowed and compelled to stand on her own feet. A "subsidy" of the type under review curses him who gives and who receives. It offers no genuine restitution for the past, and no wise investment for the future. We therefore advocate a change which, while founding national finance in Ireland on a basis of national control and national responsibility, will at the same time enable Great Britain to disentangle herself from an ungenerous and unpleasant situation. It is not, I take it, the function of a Congress like this to discuss in any minute detail the details of two programmes which, unhappily and to the undoing of economists, have come to be adopted as the North and the South Pole of party politics.

But there is one allegation, very popular at present, on which a word may reasonably be said. It is urged that it is absurd to advocate the erection of Ireland into a separate financial entity because Ireland does not possess within herself sufficient financial resources for the rôle. She is not able to pay her way. *That such a statement should be made and accepted appears to me a noteworthy instance of the triumph of literature over sanity.* If, instead of bewildering and blinding himself with disputable statistics, any inquirer who knows Ireland were to rely on the evidence of his senses, his intelligence, his daily experience, it would be impossible for him to entertain so unreal a notion.

Here, if I may repeat what I had occasion to say recently, you have an island situated at the cross-road of oversea commerce, and admirably furnished with bays and harbours; it com-

prises 20,000,000 acres of land, very fertile for pasture and agriculture, and rich in mineral and other resources not as yet fully exploited. This island has a population of nearly 4,500,000 of the best West-European stock, not inferior in physical, intellectual, or moral qualities even to the English. The history of this people shows them to be endowed with powers of resistance and especially of recuperation almost miraculous. They survived a hundred campaigns of massacre, confiscation, persecution, and compulsory ignorance. Once only in the modern period, and then only for eighteen years, were they in a sort of way permitted to manage their own business; in that brief space they attained a brilliant position in industry, commerce, and culture. They are just engaged in a grandiose scheme of land purchase estimated to cost £210,000,000; on the £112,000,000 already advanced or bargained for, there is hardly one defaulting buyer and there is no bad debt, for the security of the land is ample. They have pioneered the United Kingdom in agricultural co-operation and training, and are beginning to be as progressive farmers as any in the world. In manufacture their ambitions have re-awakened, and their whole economy is on the up-grade. Although external trade may be a very misleading test, we may none the less note that their trade with Great Britain exceeds that of India, and is nearly twice as large as that of Canada or Australia. They have conducted county government with efficiency and success, and now, for the first time, possess something like a complete educational system.

Will anybody be hardy enough to say that such a country, with such resources, is incapable of existence as a separate financial entity?

DISCUSSION

MR. EDWARD BOND said that if he understood rightly the interesting papers to which they had listened, the authors of those papers advocated the complete severance of Ireland from Great Britain in matters of finance except so far as in their view it might be necessary or desirable for Great Britain to contribute in cash or credit to the carrying out of the Land Purchase schemes and the payment of old age pensions. The figures which they quoted showed that up till recently expenditure on Irish administration and Irish purposes was less than the taxes raised from Irish sources; but at the present time, mainly owing to the disproportionate number of old age pensions in Ireland, the amount received from Ireland was less by about £2,000,000 than the amount expended on her domestic administration. If complete financial independence were established, it would seem that Ireland was to have the power of imposing protective duties on the products of Great Britain, and was not to contribute anything to the Imperial Exchequer (except by way of free grant), and would therefore bear no share in the expense of the Army, Navy, and Diplomatic Service, nor any other outgoings necessary for the maintenance and defence of the Empire as a whole. It was further suggested that by way of giving the scheme a fair start, Great Britain should for a time at least make a contribution to Irish revenues. He found it difficult to believe that any such scheme could be accepted by the British electorate. A good deal had been said as to the differences between Ireland and other parts of the United Kingdom, and this had been put forward as a reason for a practical dissolution of the Union. Differences there were, no doubt, but not, he thought, greater than those which existed between different parts of Great Britain, or between different parts of Ireland itself. Dorsetshire differed from Caithness; the men of Devon did not see eye to eye with the inhabitants of Yorkshire; and the prevailing tone and temper of Dublin was not that of Belfast; but there was no insuperable difficulty in

managing the joint affairs of these different districts by a Parliament to which they all sent representatives. The alleged extravagance and waste of Irish administration was put forward as a reason for committing the control of these matters to an Irish Parliament. In support of this it was stated that the Government officials were too numerous and too highly paid, and that the Royal Irish Constabulary, having regard to the restored tranquillity of the country, might and ought to be reduced in numbers and pay. Surely, if a case for reform were made out and pressed by the energetic representatives of Ireland at Westminster, these things would be remedied without setting up a Parliament in Dublin as other grievances had been remedied in the past. Fiscal autonomy was not necessary to bring about this result, nor was there any certainty that increased economy would result from setting up an Irish Parliament.

Mr. J. C. STAMP said that there had been the presumption throughout the discussion that a divided income-tax would give an undiminished aggregate yield, which was quite against all experience. In addition to the question of domicile raised by Mr. Keynes, there were various other possibilities of difficulty or friction in such points as foreign income and double taxation which would have to be settled. The problems that made the State income-taxes in the United States so difficult to administer properly would be present in their case to some extent.

The CHAIRMAN said that he considered that the continued connection of Ireland with Great Britain was a fundamental principle which could not possibly be overlooked. Nearly all the speakers had supported with great ability the policy of fiscal autonomy for Ireland. Fiscal autonomy in his view could only be supported if it could be shown unquestionably that it involved no risk to Great Britain. But he could not conceive how they could have fiscal autonomy in Ireland without connoting the possibility of serious danger to the fiscal policy of Great Britain. It was impossible to conceive an Ireland that was Protectionist to all the world except Great Britain, and not interfere with the commercial success and progress of Great Britain. Irish revenues did not seem to him to admit of any great enhancement. They gave them at present something less than ten millions sterling. On the other hand, the charges placed upon Ireland, including those in connection with old age pensions, with general betterment, and with the Insurance Act, would be certainly over 13 millions per annum. In fifteen or twenty years she might make a saving of two millions, but that would be totally insufficient to meet

the charges placed upon her. But it might be said those charges were excessive for a country like Ireland, which preferred to live a more simple life. The result of that would be that a standard of living and administration would be established in Ireland which would be considerably lower than that in England. Yet the intercourse between the two countries would be constant. Ireland would see how ill she had fared by this system of fiscal autonomy, and the Irish people would then resent their exclusion from the United Kingdom. They would become more concentrated, they would grow into a frame of mind hostile to their English neighbours, and they would become a discontented people. The responsibility lay on England at the present time of raising the standard of comfort in Ireland, and of finishing the creation of a peasant proprietary who gave every sign that they would grow into a self-reliant and self-respecting people. So far from fiscal autonomy being the only way of effecting these benefits for Ireland, they could all be brought about by maintaining the Union.

Devolution and Internal Development.

He thought the use of the words Home Rule led to misunderstanding; he preferred the word Devolution. He would prefer to regard the measure which was to be introduced for Ireland as a devolution of portions of the power of the Imperial Parliament to a body which would necessarily have a large measure of independence in dealing with finance, but it was unnecessary to say to them that they would only get so much money as they could raise within the Irish shores. How could money be spent judiciously with a view of raising the taxable capacity of Ireland? They had only to travel through the country in winter to see how every one of the great rivers was so blocked in its channel that the whole countryside in the neighbourhood was flooded. The first thing that an Indian Governor would do with a country like Ireland was to establish a public works organisation, which would take in hand a great system of arterial drainage, and would also examine the harbours, the roads, the industrial possibilities of the country, and make recommendations lasting over a period of years on which the Government could spend money as it could afford. These were methods which could be best pursued subject to the general control of the Imperial Parliament with money to be supplied by that Parliament. Whatever settlement was come to, this matter of restitution must be considered—not restitution considered from the point of view of what had been

taken from Ireland in excess of her capacity to pay, but restitution for improving the condition of the country. He himself formed the opinion that 20 millions sterling, spread over, say, twenty years, would be adequate.

Suggested Financial Scheme.

The financial plan which he himself thought would best suit the conditions of Great Britain and Ireland was this, that the Irish revenue should be paid into an Irish Treasury account, and in order to know what the Irish revenue was it would be absolutely essential to establish a Customs organisation at all the Irish ports. That, he thought, was an unobjectionable arrangement. Then, when the true revenue was paid into the Irish account, there would remain no doubt as to the difference between that amount and the charges already existing against Ireland. That difference had to be made good by Great Britain for this reason, that Ireland at the present time was entitled to receive that difference under the terms of the Act of Union. Ireland's claims upon the Consolidated Fund were by no means limited by the amount of revenue derived from Ireland; they were only limited by Ireland's necessities and by the sufficiency of the Fund to meet those necessities consistently with the necessities of other parts of the United Kingdom. At the present time England was spending in Ireland more than 12 millions sterling—the amount this year, he thought, was £12,700,000. With the invalidity insurance charges it would be nearer 13½ millions. They had two items which would form the Irish Consolidated Fund, namely, the Irish true revenue and the assignment which England must make to make good the difference between the true revenue and the total amount of the Estimates. In his opinion, that assignment should be subject to revision from time to time. The assignment might be given for a fixed number of years—ten or fifteen—at the end of which time it could be revised. He believed that the Irish Government should be under an obligation to make economies or to impose additional taxation with the object of contributing a suitable sum to the common necessities and purposes of the Empire. In his opinion that sum should be fixed by a committee of the Irish legislative body and of the Imperial Parliament. In that way Ireland's resources would grow with the growth of the United Kingdom, the solidarity of the United Kingdom would be preserved, Ireland would continue to participate in all the activities of the Empire, and also to contribute her due share towards the public expenditure of

the Empire. He was told that there would be no motive to Ireland to make economies in these circumstances. There would surely be sufficient motive for economies in the growing necessity for improving the condition of the country, of spending money on education, sanitation, and so on. At all events, he trusted that, in whatever manner it might be sought to gratify Irish hopes and at the same time to render more efficient the Imperial Parliament, nothing would be done to break up the integrity of the United Kingdom, to remove from the great council of the Empire a due number of Irish representatives, or to take away from Ireland the glory she felt in increasing measure at the present time of being a member of the greatest Empire in the world.

